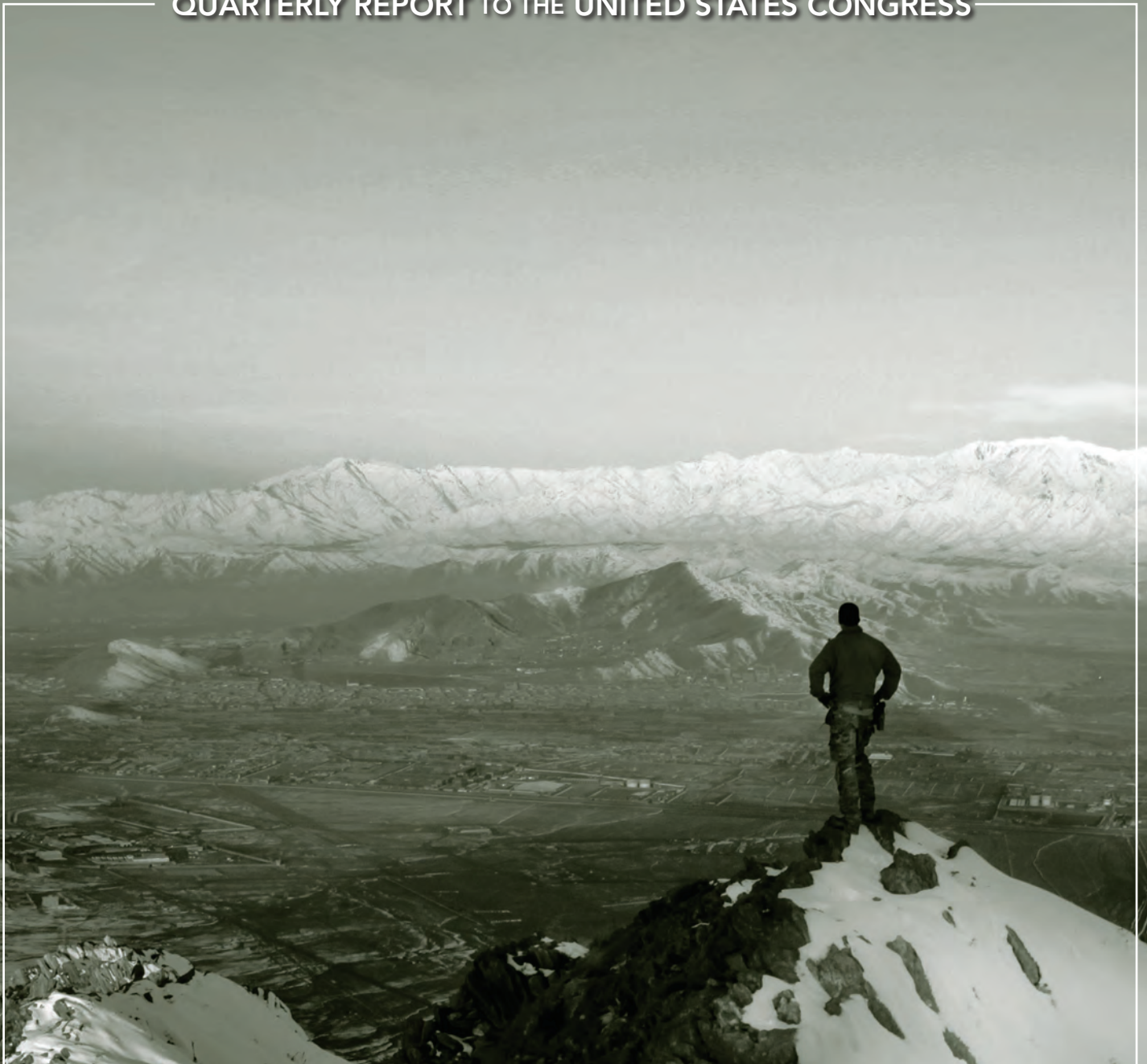


SIGAR

Special Inspector General for
Afghanistan Reconstruction

JUL 30
2014

QUARTERLY REPORT TO THE UNITED STATES CONGRESS



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The National Defense Authorization Act for FY 2008 (P.L. 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR).

SIGAR's oversight mission, as defined by the legislation, is to provide for the independent and objective

- conduct and supervision of audits and investigations relating to the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.
- leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of the programs and operations, and to prevent and detect waste, fraud, and abuse in such programs and operations.
- means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operation and the necessity for and progress on corrective action.

Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Source: P.L. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008.

(For a list of the congressionally mandated contents of this report, see Section 3.)

Cover photo:

A Coalition soldier looks over a valley in Kabul Province, Afghanistan. (U.S. Army photo)



SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION

I am pleased to submit to Congress, and to the Secretaries of State and Defense, SIGAR's 24th quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

On my most recent trip to Afghanistan in June, I was repeatedly reminded that the success of the \$104 billion reconstruction effort in Afghanistan hinges on President Hamid Karzai being able to peacefully transfer power to a democratically elected successor. When I arrived, Afghanistan had just held a runoff election between presidential candidates Ashraf Ghani and Abdullah Abdullah, despite Taliban threats to violently disrupt it. Unlike the first round of elections, however, in which the leading candidates largely accepted the results, the Abdullah campaign contested the results of the runoff and accused the Afghan election bodies of massive fraud.

With Abdullah's supporters threatening to set up a parallel government, Secretary of State John Kerry brokered an agreement between the two candidates to conduct an audit of all 8.1 million ballots cast and to form a government of national unity once the winner is declared. The audit was still under way when this report went to press. Because the effectiveness and legitimacy of government is a key element in determining the success of reconstruction, SIGAR, along with other Executive Branch agencies, will be watching closely to see how the election dispute is resolved.

Earlier this quarter, President Obama announced that if the next Afghan president signs a Bilateral Security Agreement with the United States, 9,800 U.S. forces will remain in Afghanistan after U.S. combat operations end in December, and will draw down to roughly 4,900 by the end of 2015. By the end of 2016, the force will be reduced to a small military presence at the U.S. Embassy in Kabul.

The U.S. effort to bring its men, women, and materiel home from Afghanistan already is proceeding at a tremendous pace, as I witnessed on my trip. At Kandahar Airfield and Camp Leatherneck in Helmand Province, I saw vast amounts of equipment being readied for return to the United States. I saw trucks and Mine-Resistant Ambush-Protected (MRAP) vehicles being disassembled. Everything from metal poles to canvas tent covers was being sorted into boxes to be sent home or sold as scrap. The retrograde has been called the greatest feat of military transport in recent history. Those in charge of it deserve our nation's gratitude.

With the United States' military drawdown, the Afghan National Security Forces (ANSF) will be responsible for securing Afghanistan. To determine if the ANSF has the ability to sustain its recent military successes and keep the country from again becoming a launchpad for terrorist attacks, SIGAR is conducting a number of audits of ANSF capabilities. For example, this quarter SIGAR issued an audit finding that, largely because of security concerns, a U.S. contractor was unable to provide the Afghan National Army (ANA) with the training and maintenance needed to operate its Mobile Strike Force Vehicles. Another audit raised concerns about the ANA's ability to account for some 465,000 U.S.-provided small

arms. SIGAR has ongoing audits of ANSF personnel data, the ANA Engineering Brigade's equipment, the effectiveness of the Counter Narcotics Police of Afghanistan, and U.S. support for the Afghan Air Force. SIGAR also announced a new audit this quarter of the Afghan Local Police program, which trains local Afghans to defend their communities against insurgents and other illegal armed groups.

SIGAR is also initiating a new series of lessons-learned reports to extract useful guidance for future operations of the most expensive reconstruction effort ever underwritten by the U.S. taxpayer. One of my concerns is that U.S. agencies often lack metrics for determining whether their projects and programs are contributing to the achievement of overall U.S. strategic objectives. By contrast, SIGAR's lessons-learned reports will assess the extent to which spending in Afghanistan did or did not help the United States achieve its reconstruction goals. As the only oversight agency with the mandate to oversee all U.S.-funded projects and programs in Afghanistan, SIGAR is in a unique position to draw conclusions for the U.S. government to consider when planning any future large-scale development and military-assistance efforts. Most experts agree that any future such assistance efforts will follow a "whole of government" approach.

Section 1 of this report discusses a key issue facing the next Afghan government: the recurring, multibillion-dollar fiscal gap between its domestic revenues and its costs, particularly the costs of its army and national police. This year, donor grants will make up most of the shortfall, but aid to Afghanistan has been falling since 2010, and history suggests it will fall even more sharply after U.S. and Coalition troops are withdrawn. Government budget shortfalls could severely undermine the central government and overall political stability. This quarter an Afghan Local Police unit cut the power lines from Kabul to eastern Laghman and Nangahar Provinces in retaliation for not being paid for three months. This could be a sign of the turmoil to come if the Afghan government cannot meet payrolls.

Large areas of the country—larger even than SIGAR anticipated last year—will soon be off limits to U.S. personnel due to base closures and troop withdrawals. SIGAR plans to produce new oversight-access maps showing the areas in which U.S. government employees are still able to conduct in-person site visits. Nevertheless, we will continue to provide aggressive oversight of the U.S. reconstruction effort by using satellite imagery and by hiring Afghans and third-country nationals to augment our ability to carry out site visits.

The 30 audits, inspections, special projects, and other reports SIGAR issued this quarter examined programs and projects worth approximately \$18.2 billion. Unfortunately, most uncovered poor planning, shoddy construction, mechanical failures, and inadequate oversight.

For example, an inspection of Baghlan Prison revealed that the \$11.3 million facility requires extensive repairs due to severe damage. Another inspection found that although Afghan and U.S. military personnel at Shindand Airbase had been provided with incinerators, they were burning waste in open-air burn pits in violation of Department of Defense regulations. A third inspection determined that a U.S.-funded cold- and dry-storage facility was not being used. On the positive side, another audit found that the State Department had successfully implemented a large percentage of SIGAR's audit recommendations, reducing the risk of waste, fraud, and abuse of reconstruction funds.

SIGAR also completed three financial audits this quarter that identified over \$2.5 million in questioned costs. SIGAR's financial-audits program has identified nearly \$78 million in questioned costs to date. Section 2 summarizes our findings and recommendations.

Since my last report to Congress, SIGAR has opened 26 new investigations and closed 46, bringing the total number of ongoing investigations to 318. The criminal fines, restitutions, forfeitures, and cost savings to the U.S. government from SIGAR's ongoing investigations in this reporting period amounted to approximately \$3.1 million. SIGAR's suspension and debarment program referred 16 individuals and 39 companies for suspension or debarment based on allegations that they engaged in fraud or failed to perform under contracts valued at over \$180 million.

This quarter, I must once again reiterate my concerns about the policies of the U.S. Army's suspension and debarment program. As I have pointed out in our last five quarterly reports, the Army's refusal to suspend or debar supporters of the insurgency from receiving government contracts because the information supporting these recommendations is classified is not only legally wrong, but contrary to sound policy and national-security goals. It is troubling that our government can and does use classified information to arrest, detain, and even kill individuals linked to the insurgency in Afghanistan, but apparently the same classified information cannot be used to deny these same individuals their rights to contract work with the U.S. government. I continue to urge the Secretary of Defense and Congress to change this misguided policy and impose common sense on the Army's suspension and debarment program.

In this difficult period of transition for Afghanistan, my staff and I remain dedicated to working with Congress, implementing agencies, and other oversight bodies to fulfill U.S. mission objectives for reconstruction and to protect the U.S. taxpayer's investment.

Respectfully,

A handwritten signature in black ink, appearing to read 'JF Sopko', with a long, sweeping horizontal line extending to the right.

John F. Sopko
Special Inspector General for Afghanistan Reconstruction

EXECUTIVE SUMMARY

This report summarizes SIGAR's oversight work and updates developments in the three major sectors of Afghanistan's reconstruction effort from April 1 to June 30, 2014.* It also discusses whether the reconstruction is sustainable. During this reporting period, SIGAR published 30 audits, inspections, alert letters, and other reports assessing the U.S. efforts to build the Afghan security forces, improve governance, and facilitate economic and social development. These identified a number of problems, including a lack of accountability, failures of planning, construction deficiencies, and other threats to health and safety. The monetary results from SIGAR's ongoing investigations totaled \$3.1 million from criminal fines, restitutions, forfeitures, contract monies protected, and civil settlement agreements. SIGAR investigations also resulted in two arrests, three criminal informations, three plea agreements, and two sentencings in the United States. In Afghanistan, one subject was arrested, three Afghans were barred from access to military installations, and two government contractors were terminated. SIGAR's suspension and debarment program referred 16 individuals and 39 companies for suspension or debarment based on allegations that they engaged in fraud and non-performance in contracts valued at over \$180 million.

SIGAR OVERVIEW

AUDITS

SIGAR produced three performance audits, three financial audits, three inspections, and one alert letter.

The **performance audits** found:

- The State Department implemented nearly 75% of SIGAR's audit recommendations in a timely, successful way, reducing the risk of fraud, waste, and abuse of Afghan reconstruction funds.
- Poor Afghan National Security Forces (ANSF) record keeping limits the Department of Defense's (DOD) ability to monitor weapons after they are transferred to the ANSF.
- The Afghan National Army (ANA) may not be able to sustain the mobile strike force vehicles (MSFV) it was given, and a DOD contractor did not meet contract requirements to provide operator and maintenance training for which it was paid as part of the program.

The **financial audits** identified over \$2.5 million (bringing the total to \$78 million to date) in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, failure to

follow competitive bidding procedures, improper cost allocations, lack of supporting documentation, over-reimbursement of indirect costs, poor record retention, unexplained discrepancies between a contractor's general ledger balance and various supporting documents, and failure to conduct vendor-suspension and debarment checks.

The **inspection reports** of U.S.-funded facilities found:

- Severe damage to the \$11.3 million Baghlan Prison requires extensive remedial action.
- The Afghan military was using open-air burn pits in violation of DOD regulations at Shindand Airbase instead of the incinerators the U.S. Army Corps of Engineers had provided them because the burn pits were cheaper to operate.
- The \$2.89 million Gereshk Cold and Dry Storage Facility has not been used to date.

The **audit alert letter** raised concerns that:

- DOD plans to provide C-130 planes to the Afghan Air Force that it may not need.

EXECUTIVE SUMMARY

NEW AUDIT

This quarter, SIGAR initiated a new performance audit to assess the Combined Joint Special Operations Task Force-Afghanistan's (CJSOTF-A) implementation of the Afghan Local Police (ALP) program.

SPECIAL PROJECTS

During this reporting period, the Office of Special Projects issued a review of the safety of spray foam insulation systems used in ANA facilities. In addition, the office issued letters on:

- IRD's confidentiality agreement
- ANP mobile money pilot program
- The U.S. Department of Agriculture's response to SIGAR's soybean inquiry
- Canceled USAID contracts
- Afghan National Police (ANP) patrol boats and the Combined Security Transition Command-Afghanistan's (CSTC-A) response to the ANP patrol boats inquiry
- The United Nations Development Programme's oversight of the Law and Order Trust Fund for Afghanistan (LOTFA)
- Insights and observations of Professional Service Council members
- IRD whistleblower protections
- Small Business Innovation Research study
- Maintenance of DOD- and USAID-funded roads
- ANP patrol boats disposition
- Kandahar bridging solution
- Reconstruction program data information
- Ecolog Inc. and Fluor Corporation's recruitment of third country nationals

INVESTIGATIONS

During the reporting period, SIGAR's ongoing investigations saved the U.S. government \$500,000. Criminal fines, restitutions, and forfeitures amounted to an additional \$600,000, and two civil-settlement agreements with a combined total of \$2 million were finalized. Investigations resulted in two arrests, three criminal informations, three plea agreements, and two

sentencings in the United States. In Afghanistan, one subject was arrested, three Afghans were barred from having military installation access, and two government contractors were terminated. SIGAR initiated 26 new investigations and closed 46, bringing the total number of ongoing investigations to 318. In addition, SIGAR's suspension and debarment program referred 16 individuals and 39 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States.

Investigations highlights include:

- \$2 million from civil settlements
- A U.S. contractor pled guilty to fraud
- A former U.S. Army sergeant sentenced for fuel theft and kickback scheme
- \$14,500 in illicit proceeds seized
- Two convictions for money laundering
- A U.S. Army sergeant sentenced for fuel theft
- Employees terminated at the U.S. Embassy Kabul
- The arrest of an Afghan contractor
- The completion of the National Police Training Center

* Per statute, SIGAR may also report on products and events occurring after June 30, 2014, up to the publication date.

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“I’m not confident that if we were to leave at the end of 2014, that those forces would be sustainable. There are some significant capability gaps that have to be addressed in order for the Afghans to be able to do things that we have heretofore been doing for them.”

—*General Joseph F. Dunford*

1 SUSTAINABILITY OF RECONSTRUCTION GAINS



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Chairs at a school built, but never occupied, in Nangahar Province,
were stripped for firewood. (U.S. Air Force photo)

CAN AFGHANISTAN SUSTAIN ITS RECONSTRUCTION GAINS?

Beyond the immediate challenge of insurgency and presidential transition, Afghanistan's next government faces another tough test: achieving self-sufficiency.

In its donor-assisted attempts to emerge from deep poverty and civil war, Afghanistan has become “almost unique” in its dependence on aid, according to the World Bank.¹ The United States and other international donors fund more than 60% of the Afghan national budget, as well as countless reconstruction programs and projects that currently operate off-budget. With the withdrawal of U.S. and Coalition troops, the responsibility for those programs and projects is being turned over to the Afghan government. Although donors have pledged large-scale aid for years to come, their generosity may wane as their presence declines. Meanwhile, the drawdown of military and other foreign personnel has already cooled economic activity, slowing the growth of government revenues.

In such a setting, Afghanistan's Ministry of Finance says, “Achieving fiscal sustainability is the main goal of Afghan government.”² A May 2014 International Monetary Fund (IMF) report concurs: “Afghanistan needs to move toward fiscal sustainability to reduce its dependence on donor support.”³

In 2013, the Afghan government's domestic revenue was only about \$2 billion, while its overall budget expenditures were \$5.4 billion. Donor grants made up the difference, funding 63% of the budget. Afghanistan's current budget, approved in January 2014, is about \$7.6 billion, with donor grants expected to fund about \$4.8 billion, or still more than 60% of the total.⁴ Figure 1.1 on the following page shows the increasing importance of donor assistance in covering Afghanistan's national-budget commitments.

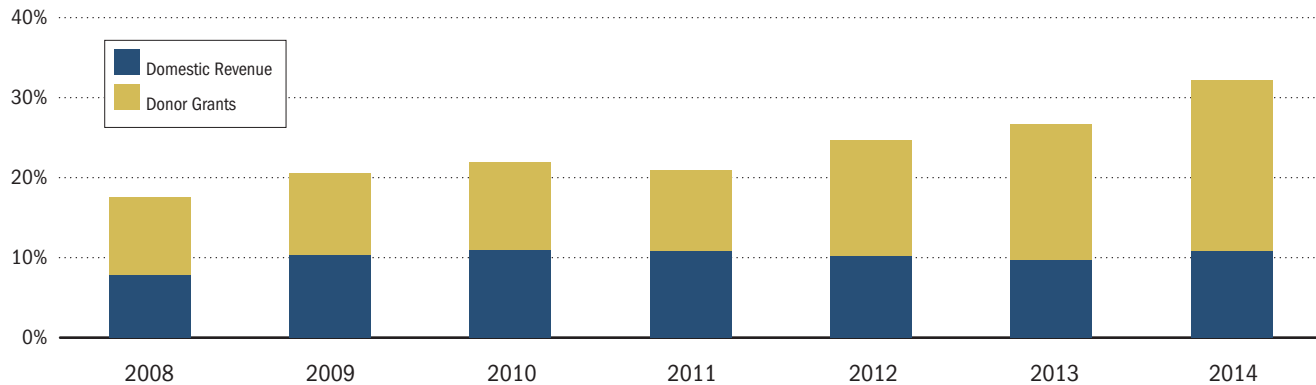
At the 2011 Bonn Conference, the international community declared that the transition to Afghan-led security in 2014 would be followed by a “Decade of Transformation” in which Afghanistan would “consolidate its sovereignty by strengthening a fully functioning, sustainable state in the service of its people.”⁵ However, the World Bank projects a large “financing gap” equivalent to 20% of Afghan gross domestic product (GDP) to persist

On- and Off-Budget Funds

U.S. FY 2014 appropriations for Afghan reconstruction are \$7.5 billion—by coincidence, almost the same as Afghanistan's current national budget of \$7.6 billion. But most of that U.S. aid, as well as most of other international donors' assistance, goes through programs and funds that are not part of the Afghan budget. See this report's funding review starting on page 73 for more information.

FIGURE 1.1

Domestic Revenue and Donor Grants in Afghan Budgets As percentage of Afghan GDP



Notes: Chart does not include donor grants that are executed off-budget, unmanaged by the Afghan government. "GDP" = gross domestic product.

Source: Asian Development Bank, "Asian Development Outlook 2014," April 2014, p. 156.

into 2025—a gap of nearly double the Afghan government's projected domestic-revenue share of GDP.⁶

SECURITY COSTS ARE UNSUSTAINABLE WITHOUT LONG-TERM FOREIGN AID

The United States Congress has appropriated more than \$104 billion for the reconstruction of Afghanistan; other donors from around the world have contributed billions more. SIGAR calculates that by the end of 2014, the United States will have committed more funds to reconstruct Afghanistan, in inflation-adjusted terms, than it spent on 16 European countries after World War II under the Marshall Plan, see highlight, page 5.

The bulk of the U.S. aid effort—nearly \$62 billion of the \$104 billion appropriated since FY 2002—has gone to create and support the Afghan National Security Forces (ANSF).

The ANSF's current authorized size is 352,000. To lessen the cost of sustaining it, the North Atlantic Treaty Organization (NATO) plans to reduce the force to 228,500 by 2017, if security conditions permit. The estimated cost of sustaining this smaller force is \$4.1 billion annually. NATO expects that the Afghan government would pay at least \$500 million annually beginning in 2015.

However, according to the latest Department of Defense (DOD)-commissioned independent assessment by the Center for Naval Analyses (CNA), "in the likely 2015–2018 security environment, the ANSF will require a total security force of about 373,400 personnel."⁷ CNA cautions that "a



A 2013 SIGAR audit found that DOD was planning to purchase \$771.8 million of aircraft, like these Mi-17 helicopters, that the Afghans cannot operate and maintain. See Audit Report 13-13. (SIGAR photo by Jerome Goehring)

Afghan Reconstruction Funding Exceeds Real Cost Of Marshall Plan

Adjusted for inflation, U.S. appropriations for the reconstruction of Afghanistan exceed the funds committed to the Marshall Plan, the U.S. aid program that delivered billions of dollars between 1948 and 1952 to help 16 European countries recover in the aftermath of World War II.

Named for its author, Secretary of State and former Army general George C. Marshall, the plan has been called “one of the most successful long-term projects in American foreign policy.”¹⁰ A Congressional Research Service report says the Marshall Plan delivered about \$13.3 billion to its aid recipients before disbursements ended in June 1952.¹¹ The United Kingdom was the lead recipient, with \$3.2 billion.

Those nominal-dollar amounts are dwarfed by the \$104 billion Congress appropriated for Afghanistan reconstruction between fiscal years (FY) 2002 and 2014—until adjustment is made for the effects of inflation since 1948.¹² Comparison requires the adjustment: a dollar in 1950, for example, had roughly the purchasing power of 10 dollars in 2014.

Applying the year-end GDP Price Deflator from the U.S. Commerce Department’s

Bureau of Economic Analysis to the streams of funding of both the Marshall Plan and Afghan reconstruction yields this result: “real” or inflation-adjusted Afghan-reconstruction appropriations amount to more than \$109 billion, versus an adjusted total of \$103.4 billion for the Marshall Plan.¹³ SIGAR’s calculations also indicate that the real value of Marshall Plan aid to the United Kingdom—about \$24.7 billion in today’s dollars—is less than a quarter of the funds appropriated through FY 2014 for Afghanistan reconstruction.

One critical difference should be noted: unlike Afghan-reconstruction funding, the Marshall Plan was not concerned with building and sustaining host-country armies and national police. But comparing the real purchasing-power funding of the two assistance programs does illustrate the scale of the U.S. aid effort in Afghanistan.



force of lesser size than 373,000 would, in our assessment, increase the risk of instability of Afghanistan and make success less likely for the U.S. policy goal.”⁸ The CNA estimates that a 373,000-strong ANSF would cost roughly \$5–6 billion per year to sustain.⁹

At that level, even if the Afghan government dedicated all of its domestic revenue toward sustaining the Afghan army and police, it still could only pay for about a third of the associated costs. All other costs—those required to pay civil servants and to operate and maintain roads, schools, hospitals, and other non-military infrastructure and programs—would have to be funded by international donors or abandoned, an unwise decision even if it were possible.

SUSTAINABILITY THREATENS DEVELOPMENT

It is questionable whether the Afghan government can sustain many non-security reconstruction programs in such sectors as health, education, and economic development. Built into many projects are requirements for parts and fuel that the Afghans cannot afford and technical skills that Afghan ministries cannot supply. Because of this, U.S.-built schools and health facilities often cannot be staffed or supplied. Moreover, some facilities have fallen into disrepair; others are unsafe, incomplete, or unsuited for their intended purposes.

SIGAR has confirmed that DOD, the United States Agency for International Development (USAID), the State Department, and other



The ANA may not be able to sustain the Mobile Strike Force Vehicles given to them. See Audit Report 14-85-AR. (SIGAR photo by Zach Rosenfeld)

U.S. agencies have not always consulted with Afghan agencies when planning programs or projects or given due regard to their financial and operational capacity for sustainment. The work of SIGAR and other oversight agencies as described in the “SIGAR Oversight” and “Other Agency Oversight” sections of this and previous SIGAR quarterly reports provide numerous examples.

The question of how to sustain the nonsecurity reconstruction programs deserves discussion because Afghanistan’s heavy reliance on donor assistance carries great risks for the country. The World Bank warns, “Any reduction in donor grants from planned levels would result in a loss of progress in poverty reduction, job creation, and service delivery.”¹⁴ Progress in those and other areas of Afghan life, however, are linchpins of the counterinsurgency strategy aimed at ultimately reducing Afghanistan’s need for a large security force.

DONOR SUPPORT MAY WEAKEN

At the height of the reconstruction effort in 2010–2011, the World Bank estimated total civilian and security aid were about as large as Afghanistan’s GDP, providing benefits but also side effects like “corruption, fragmented and parallel delivery systems, poor aid effectiveness, and weakened governance.”¹⁵

Aid has since fallen, but international donors who supplied more than 60% of the country’s national budget in 2013 still covered a “financing gap” equivalent to 7.7% of the country’s GDP.¹⁶ Much of the reconstruction effort, however, is “off-budget,” representing donor-funded programs and projects that the Afghan government does not control or fund.

As donors honor commitments to place more Afghan aid on-budget or simply transfer projects to Afghan control, the pressure on the budget will increase. The IMF and the World Bank “conservatively” estimate that Afghan maintenance of such donor-supplied capital stock—roads, buildings, utility infrastructure, equipment, and such—will cost 15% of Afghanistan’s GDP.¹⁷ Supporting such costs on the Afghan budget without donor support would require more than doubling the government’s revenue share of GDP, a major challenge.

The Afghan government has estimated its annual development-aid need at \$3.9 billion a year between 2013 and 2020.¹⁸ At various international conferences, the United States and other donors have pledged continuing aid through the “Decade of Transformation” ending in 2025, at which time Afghanistan is expected to achieve financial self-sufficiency. Afghanistan in turn has promised to achieve agreed-upon benchmarks under the Tokyo Mutual Accountability Framework (TMAF) as a condition for further donor assistance.



Sustaining non-security projects, like this DOD-funded road, could cost as much as 15% of Afghanistan’s GDP. See Special Project 14-72-SP. (ISAF photo)

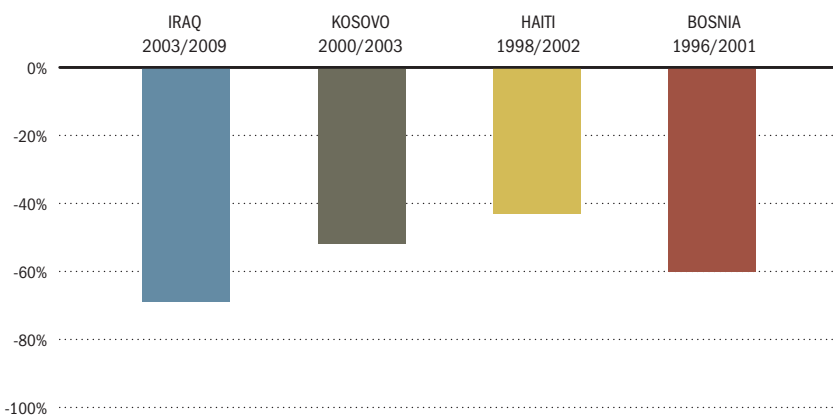
The TMAF benchmarks, however, are not carved in stone. USAID informed SIGAR this quarter that updating Afghan progress toward the “hard deliverables” required under the TMAF stopped in January 2014. The United States and international partners are developing a new set of targets for the future implementation of TMAF that will be discussed with the new post-election government. According to USAID, the process of finalizing these new targets will likely continue through the international conference on Afghanistan tentatively planned for November in London and into early 2015.¹⁹

Even if Afghanistan satisfies current or future aid-qualifying benchmarks, international commitments are not necessarily guaranteed. A joint presentation by the World Bank and the Afghan Ministry of Finance notes, “Experience suggests that withdrawals of international troops reduce civilian aid, with implications for economic growth, fiscal sustainability, and service delivery.”²⁰ The Kabul-based Afghanistan Research and Evaluation Unit predicts a further reduction of aid after Western forces withdraw—with side effects including “capital flight, heightened risks for investments, and the collapse of drivers of economic growth such as reconstruction, logistics, and transportation.”²¹

Drawing on history, Dr. Anthony Cordesman of the Center for Strategic and International Studies has published a sobering set of slides, summarized in Figure 1.2, showing declines in development assistance that followed foreign-troop reductions in Iraq (minus 69%), Kosovo (minus 52%), Haiti (minus 43%), and Bosnia (minus 60%).²²

FIGURE 1.2

International Aid Reductions After Troop Reductions Compared to year preceding reductions



Source: Anthony Cordesman, Center for International and Strategic Studies, “The Post-Election Challenges to Afghan Transition: 2014–2015,” slide deck, 5/18/2014, slide 6.

Declarations of intent notwithstanding, decisions and disbursements of aid are sensitive to changes in political and geopolitical circumstances. Aid pledges are no more carved in stone than are aid-qualifying benchmarks. As troop withdrawals accelerate, public opinion in donor countries could push lawmakers to consider aid cutbacks. Surveys in the United States,²³ the United Kingdom,²⁴ and Germany²⁵ have found widespread disaffection with the Afghanistan mission and with overseas involvements in general. In any case, “Only a few donors are able to forecast aid flows up to 2017 and beyond,” says a 2013 Afghan Ministry of Finance report. “Others are constrained by their annual budgeting processes and are not able to provide a clear indication of future allocations of their aid.”²⁶

Given the probabilities that Afghanistan will fail to meet some of its Tokyo-conference aid-qualifying benchmarks or that some large donors will revise their plans, or both, the question is whether Afghanistan can do more to meet its own revenue requirements.

WHY IS AFGHANISTAN'S DOMESTIC-REVENUE COLLECTION SO LOW?

The IMF recently noted that “Afghanistan has one of the lowest domestic revenue collections in the world, with an average of about 9 percent of GDP in 2006–13 compared to about 21 percent in low-income countries.” The reasons, the IMF said, include “a very low starting point, low compliance, opposition to new taxes, and a limited set of taxes.”²⁷

Afghanistan’s low level of fiscal effort is a problem. Developing countries in Asia averaged a 17.8% government-revenue-to-GDP ratio in recent years, according to the Asian Development Bank—almost twice the fiscal effort of Afghanistan.²⁸ The London School of Economics economist Ehtisham Ahmad presented a paper to a “Group of 24” developing countries this year arguing that countries collecting less than 10% of GDP “will likely have inadequate resources for the minimum public investment for infrastructure or its components, including education and R&D, as well as operations and maintenance.”²⁹

Afghanistan is of course operating from a low starting point as one of the poorest countries in the world. But fiscal effort is a matter of ratios, not absolutes. As of 2012, the CIA estimated that Afghanistan had the 207th-lowest ratio of taxes and other revenues to GDP. The 2013 world average was 30.3%; the U.S. federal tax/GDP ratio, counting Social Security and similar taxes, was 22%.³⁰

Taxation is clearly a challenge in a country like Afghanistan, with no tradition of strong central government, a mostly rural workforce, a large informal economy, and ministries with limited capacity. Still, the small share of GDP claimed for Afghan domestic revenues may raise questions whether the country’s fiscal effort is sufficiently robust, and how badly tax



A 2014 SIGAR audit found many challenges that will limit customs revenue from border crossings, such as the one seen here, as a sustainable source of income for Afghanistan. See Audit Report 14-47-AR. (SIGAR photo by Martin Wilson)



The Gardez hospital, shown here under construction, has annual operations and maintenance costs that are too high to be sustained by the Afghan government. See Inspection Report 14-6-IP and Audit Report 13-9. (SIGAR photo by Lise Pederson)

evasion, smuggling, corruption, fraud, and other “leakages,” as the IMF puts it, are cutting into the intended yield from current tax laws.

As DOD has reported to Congress, “Corruption, ineffective program monitoring, budget shortfalls at all levels, inability to generate revenue, and limited public financial management capacity continue to plague the [Afghan] national government.”³¹ To its credit, the Afghan Ministry of Finance website recognizes that problems exist: “Skill levels are low. Systemic corruption of tax officials is a serious threat to future tax collection. . . . Methods, systems, and work practices to administer taxes are inefficient and do not reflect modern tax administration practices. . . . Compliance with the tax laws is low.”³²

Afghanistan’s economic and institutional weaknesses also present a problem for the medium and long term. They undermine the government’s prospects of achieving its TMAF goals of increasing domestic revenue generation to 15% of GDP by 2016 and 19% by 2025. “The current decline in revenue,” says the World Bank, “therefore poses not only risks to long-term fiscal sustainability but also to the achievement of TMAF targets.”³³ Failure to achieve TMAF goals could in turn reinforce any donor inclinations to cut aid, further deepening the fiscal-sustainability problem.

WHAT IS TO BE DONE?

If Afghanistan can no longer rely on economic stimulus from the presence of Coalition personnel and cannot assume that donor assistance will be adequate to fund its own needs and take on the large accumulation of off-budget projects, what can it do? The IMF's Mission Chief for Afghanistan explained in May 2014 that the government's strategy for increasing revenues has four main pillars:³⁴

- improved tax compliance
- implementing a value-added tax (VAT)
- developing the Afghan mining sector
- imposing new taxes in addition to a VAT

Improving tax compliance is a worthy objective, but such efforts will take time and, given that current Afghan tax laws bring in less than 10% of GDP, might only marginally augment inflows to the Ministry of Finance.

Afghans pin great hopes on mining for revenue generation, partly because there are few good alternatives. As the World Bank observes of Afghanistan, "Education levels are too low and the manufacturing sector too underdeveloped (in size and capacity) to expect leapfrogging the classic pattern of structural transformation in which a natural resource-based economy is transformed into a diversified and productive economy dominated by manufacturing and services."³⁵

Enacting a new mining law is a key TMAF benchmark that can affect future levels of international aid to Afghanistan. The Afghan parliament has recently passed a new mining act, but it has not been signed into law. As currently written, however, details of the law might still deter investment and fail to meet World Trade Organization (WTO) standards—another potential problem, as accession to the WTO is also a TMAF benchmark for Afghanistan.³⁶

Even if a new law were in place, the mining sector appears unlikely to generate substantial revenues for years to come. The World Bank projects government revenues from mining "could reach 2–4% of GDP in the early 2020s."³⁷ If that projection materialized, however, it would still not close Afghanistan's on-budget fiscal gap, current or projected.

Other export possibilities are less promising. Afghanistan's exports have actually fallen from a high of \$837 million prior to the U.S. invasion in 2001 to \$414.5 million in 2013, so the revenue potential may be modest. Principal exports are carpets and rugs, dried fruits, and medicinal plants.³⁸ The CIA adds to that list opium and gems.³⁹ But opiates are not part of the licit economy, and gems are easy to smuggle, so their contributions to government revenue are limited.

The item on the IMF sustainability-enhancing list with the best near-term prospects for generating government revenue is the value-added tax, or VAT.

WHAT WOULD A VAT DO?

The VAT, a common form of taxation outside the United States, operates much like a sales tax, falling on the purchaser of the taxed good or service. It differs from a sales tax in that it is levied at each stage of production.

For example, as shown in Figure 1.3, a lumber company charges VAT on its sales to the furniture maker, who charges VAT on its sales to the furniture store, who, in turn charges VAT on its sales to the final consumer. Each seller in the process remits its VAT receipt—minus the VAT it paid on its own purchases—to the government. In this way, the government taxes only the economic “value added” at each step of the commercial process.⁴⁰

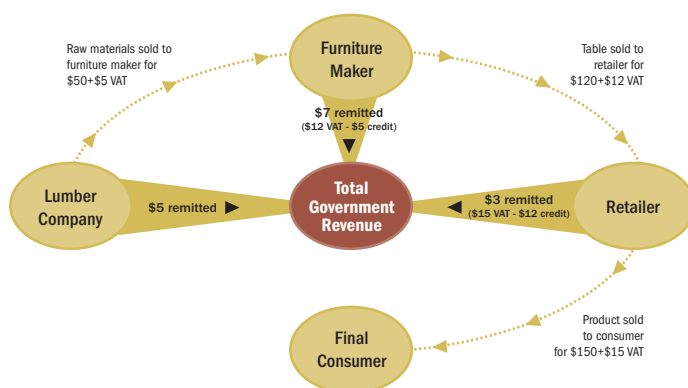
The sequence of taxable transactions gives the VAT an advantage—at least from the government’s view—over a traditional sales tax: It creates a transaction record at every step, making it harder for people to evade taxes.

Establishing a VAT in Afghanistan would be important not only as a major change in tax policy, but also as a potential generator of large sums of revenue: VAT proceeds supply nearly a third of government revenue for member states of the European Union, and are the EU’s largest single revenue source.⁴¹

The Afghan parliament agreed with the IMF, which maintains an Extended Credit Facility for Afghanistan, to introduce VAT legislation in 2014.⁴² Both houses of the Afghan parliament passed VAT bills this spring, but at last report a combined bill awaits a joint commission session to reconcile differences.⁴³ The IMF reports that the bill faces opposition, the timing of ultimate passage is uncertain, and implementation could take a year after passage.⁴⁴

FIGURE 1.3

How a Value-Added Tax Works



Note: Assume 10% VAT for purposes of illustration.

Source: GAO Testimony GAO-11-867T, *Value-Added Taxes: Potential Lessons for the United States from Other Countries' Experiences*, 7/26/2011, p. 3.

If Afghanistan does succeed in establishing a VAT, however, a variety of pitfalls could result in a lower contribution to Kabul's revenues than might be projected.

COULD A VAT BOLSTER AFGHAN FISCAL SUSTAINABILITY?

The Afghan Ministry of Finance appears to have high expectations for a VAT. Its recent first-quarter report gave the results of computer modeling of a VAT tax: “increase in total revenue collection by 23% and increase in gross domestic product by 1.3% due to nominal increase in overall price level.”⁴⁵

That would indeed be a significant boost to Kabul's revenues, though not nearly enough, even combined with hoped-for mining revenues, to fill the fiscal gap in its current budget. Other countries' experience with a VAT, however, reveal several reasons why actual proceeds may fall short of the government's hopes and computer-model projections.

The European Commission notes member states collect VAT revenues “far below the level that could be collected theoretically” because of widespread exemptions, targeted reduced rates, and “a high gap in tax collection” (i.e. fraud and evasion).⁴⁶ Afghan policy makers could, of course, choose not to weaken and complicate the VAT by giving exemptions, but that choice could trigger struggles with aggrieved constituencies, including vested interests.

Compliance can be a challenge. In the United States, the Government Accountability Office (GAO) has told Congress that VAT problems can include phony businesses that collect VAT and then disappear, firms that fail before remitting VAT, merchants who charge VAT-free cash prices and underreport sales, people who create bogus VAT receipts to get refunds, and sellers who misreport classifications to pay a lower VAT rate.⁴⁷

European Union members with long experience in VAT administration still have trouble collecting it.⁴⁸ They are not alone. Developing countries like India, Bangladesh, Uzbekistan, and Nepal who use the VAT face even greater challenges. Bangladesh has struggled to tax the large informal sector of its economy.⁴⁹ Pakistan has problems with excessive exemptions and refund requests supported by fake invoices.⁵⁰ Afghanistan, where electricity, computers, and literacy are in even shorter supply, would find it even more difficult to enforce compliance.

The UK's Department for International Development (DFID) has been helping Afghanistan prepare for the VAT as part of a nearly \$20 million Tax Administration Project. In its latest annual review of the project, DFID says “VAT will provide a welcome new revenue stream but may also introduce new fraud risks,” and predicts “a number of very significant challenges in terms of operation, compliance and communications” as Afghanistan implements a VAT.⁵¹

WHAT, THEN, IS THE OUTLOOK?

Afghanistan's fiscal sustainability will be affected by variables including its economic growth, legal and regulatory framework, duration and impact of the insurgency, aid decisions by foreign donors, ministerial capacity, progress against the illicit economy, and citizens' compliance with tax laws.

However the variables play out, the consensus view is captured in DFID's crisp conclusion that "Afghanistan is many years away from achieving fiscal sustainability"⁵² and the IMF's opinion that fiscal sustainability "calls for further reforms and may take more than a decade."⁵³

Unfortunately, time and donor benchmarks are pressing on Afghanistan. "By 2021," DOD reports, "domestic revenues are expected to cover only 35 percent of projected expenditures. Revenue shortfalls will force Afghanistan to make difficult choices between the public services it provides, balancing costs for security, health and education services, infrastructure projects, and maintenance."⁵⁴ Extreme cuts or poorly balanced trade-offs could have unsavory consequences for economic growth, government legitimacy, and for the counterinsurgency effort.

Considering Afghanistan's current economic and political strains, financing challenges, and uncertainties as to the scope and duration of future donor assistance, American lawmakers and policy makers might wish to consider taking appropriate measures to ensure that stakeholder entities like State, DOD, and USAID:

- engage closely with other donors to stress the importance of coordinated effort and avoidance of large or abrupt changes in aid flows
- maximize support to the Afghan government in efforts to suppress money laundering, corruption, diversion of customs revenues, and other "leakages"
- intensify advisory services to promote Afghan economic development to take up the fiscal slack created by the reduced international presence
- encourage Afghanistan to take steps to improve its poorly rated business climate⁵⁵
- offer Afghan ministries technical advice on scenario modeling, program-prioritization, and triage techniques to help them make informed and systematic decisions on cutbacks in case domestic revenues and donor grants fall chronically short of covering planned outlays

None of these measures requires large new appropriations by Congress. But they could pay substantial dividends if they help the incoming Afghan government raise revenues by expanding its tax base with measures to stimulate higher personal incomes and business earnings. Increasing the flow of sustainable domestic funding for Afghan infrastructure investments and public services—and developing a sound decision-making capacity to weather aid cutbacks—would be important contributions to protecting the gains of the long reconstruction effort.



President Karzai and Afghan lawmakers have struggled to meet donors' assistance benchmarks while seeking to boost domestic revenues. (Radio Free Europe/Radio Liberty photo)

“Despite the drawdown of U.S. and Coalition forces [from Afghanistan], our mission there is far from over. With almost \$18 billion appropriated but not yet spent in the pipeline, and probably another \$6 to \$10 billion promised annually for years to come, Afghanistan reconstruction should still be relevant to every U.S. taxpayer and policy maker.”

—*Special Inspector General John F. Sopko*

2 SIGAR OVERSIGHT



SIGAR OVERSIGHT CONTENTS

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Incinerators sit unused beside an open-air burn pit at Shindand Airbase.
See Inspection Report 14-81-IP. (SIGAR photo by John Dettinger)

SIGAR OVERSIGHT ACTIVITIES

This quarter SIGAR issued 30 audits, inspections, alert letters, and other reports that looked at programs worth over \$18.2 billion.

One performance audit determined that the State Department (State) implemented nearly 75% of SIGAR's audit recommendations in a timely, successful way, reducing the risk of fraud, waste, and abuse of Afghan reconstruction funds. A second performance audit found that poor Afghan National Security Forces (ANSF) recordkeeping limits the Department of Defense's (DOD) ability to monitor weapons after they are transferred to the ANSF. Another performance audit reported that the Afghan National Army (ANA) may not be able to sustain Mobile Strike Force Vehicles (MSFV) it was given, and that limited security support prevented a DOD contractor from providing maintenance and training for which it was paid as part of the program. This quarter, SIGAR's financial audits identified over \$2.5 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$78 million in questioned costs and over \$190,000 in unremitted interest on advanced federal funds.

One inspection report followed an inspection alert letter SIGAR wrote last quarter about the Baghlan prison construction, and states that the \$11.3 million facility requires extensive remedial action due to severe damage. A second inspection found that U.S. Forces-Afghanistan (USFOR-A) operated incinerators at Shindand Airbase were constructed and transferred properly, but that mechanical issues led the incinerators to operate at a highly reduced capacity, leading to the use of open-air burn pits. A third inspection determined that the quality of the construction of Gereshk Cold and Dry Storage Facility appeared to be good, but that the facility is not being used to date.

SIGAR's Office of Special Projects issued a review of the safety of spray foam insulation systems used in ANA facilities. Special Projects also wrote several letters to the Combined Security Transition Command-Afghanistan (CSTC-A), USFOR-A, International Relief and Development (IRD), the U.S. Agency for International Development (USAID), the U.S. Navy, several executive departments and agencies involved in Afghan reconstruction, the Professional Services Council, defense contractors, the U.S. Department of

TESTIMONY GIVEN

- Testimony 14-65-TY: Oversight of USAID and State Department Reconstruction Efforts in Afghanistan

AUDIT ALERT LETTER

- Audit Alert Letter 14-80-AL: Afghan Air Force C-130 Aircraft

COMPLETED PERFORMANCE AUDITS

- Audit 14-83-AR: Status of SIGAR's Recommendations to Department of State
- Audit 14-84-AR: Afghan National Security Forces Weapons Accountability
- Audit 14-85-AR: Afghan Mobile Strike Force Vehicles

COMPLETED FINANCIAL AUDITS

- Financial Audit 14-74-FA: Audit of Costs Incurred by Development Alternatives Inc.
- Financial Audit 14-75-FA: Audit of Costs Incurred by Chemonics International Inc.
- Financial Audit 14-76-FA: Audit of Costs Incurred by Tetra Tech DPK

COMPLETED INSPECTIONS

- Inspection 14-62-IP: Baghlan Prison: Severe Damage to \$11.3 Million Facility Requires Extensive Remedial Action
- Inspection 14-81-IP: Shindand Airbase: Use of Open-Air Burn Pit Violated Department of Defense Requirement
- Inspection 14-82-IP: Gereshk Cold and Dry Storage Facility: Quality of Construction Appears to Be Good, but the Facility Has Not Been Used to Date

COMPLETED SPECIAL PROJECT PRODUCTS

- Special Project 14-54-SP: Inquiry Letter: ANP Patrol Boats
- Special Project 14-55-SP: Inquiry Letter: International Relief and Development's Confidentiality Agreement
- Special Project 14-56-SP: Alert Letter: Alerting USAID on IRD's Confidentiality Agreement

Continued on the next page

COMPLETED SPECIAL PROJECT PRODUCTS (CONTINUED)

- Special Project 14-57-SP: Inquiry Letter: UNDP LOTFA Oversight
- Special Project 14-58-SP: Inquiry Letter: Professional Services Council
- Special Project 14-60-SP: Inquiry Letter: IRD Whistleblower Protections Response
- Special Project 14-61-SP: Inquiry Letter: ANP Mobile Money Pilot Program Response
- Special Project 14-63-SP: Inquiry Letter: SBIR Study
- Special Project 14-64-SP: Inquiry Letter: Maintenance of USAID-Funded Roads
- Special Project 14-66-SP: Inquiry Letter: CSTC-A Response to ANP Patrol Boat Inquiry
- Special Project 14-67-SP: Inquiry Letter: ANP Patrol Boat Disposition
- Special Project 14-68-SP: Inquiry Letter: Kandahar Bridging Solution
- Special Project 14-69-SP: Inquiry Letter: USDA Response to Soybean Inquiry
- Special Project 14-70-SP: Inquiry Letter: Contractor Recruitment of Third Country Nationals for Afghan Work
- Special Project 14-71-SP: Inquiry Letter: Request for Reconstruction Program Data Information
- Special Project 14-72-SP: Inquiry Letter: Maintenance of DOD-Funded Roads
- Special Project 14-73-SP: Inquiry Letter: Cancelled USAID Contracts
- Special Project 14-77-SP: Review: Safety of Spray Foam Insulation in ANA Facilities
- Special Project 14-78-SP: Inquiry Letter: Contractor Recruitment of Third Country Nationals for Afghan Work

Agriculture (USDA), and DOD. These inquiry letters covered a wide range of topics, including confidentiality agreements, mobile money, soybean program, cancelled contracts, safety of spray foam used in construction, the Law and Order Trust Fund for Afghanistan (LOTFA) used to pay Afghan National Police (ANP) salaries, ANP patrol boats, contractor-identified best practices, whistleblower protections, a small-business contract awarded to assist in making reconstruction decisions, maintenance of Afghan roads, Kandahar electrical production plans, request for data on reconstruction funding by smaller U.S. agencies, and inquiry into allegations of human trafficking.

During the reporting period, the criminal fines, restitutions, forfeitures, civil settlements, and cost savings to the U.S. government from SIGAR's ongoing investigations amounted to approximately \$3 million. SIGAR investigations also resulted in two arrests, three criminal informations, three plea agreements, and two sentencing in the United States. In Afghanistan, one subject was arrested, three Afghans were barred from access to military installations, and two government contractors were terminated. SIGAR's suspension and debarment program referred 16 individuals and 39 companies for suspension or debarment based on allegations that they engaged in fraud and non-performance in contracts valued at over \$180 million.

SIGAR TESTIFIES ON OVERSIGHT OF USAID AND STATE DEPARTMENT RECONSTRUCTION EFFORTS

Special Inspector General John F. Sopko testified along with Charles Michael Johnson Jr. from GAO on June 10, 2014, before the House Subcommittee on the Middle East and North Africa of the Committee on Foreign Affairs on oversight of USAID and State Department reconstruction efforts in Afghanistan. Of the approximately \$103.17 billion appropriated for Afghan reconstruction as of that date, \$17.53 billion has been allocated to USAID and \$4.42 billion to State. Also, \$18 billion in appropriated reconstruction funds remain to be spent by U.S. agencies as of March 31, 2014, including nearly \$7 billion by State and USAID.

Reduced oversight access in Afghanistan has put reconstruction funds at risk, Sopko told the subcommittee. SIGAR estimates that less than 20% of the country will be accessible to civilian U.S. oversight personnel by December 2014, a more than 50% decrease since 2009. It is critical to find a way to continue providing oversight to protect the historic investment the United States has made to date, and the billions more yet to be spent on reconstruction.

Sopko highlighted five "high-risk areas" facing USAID and State as they move forward with reconstruction efforts in Afghanistan: sustainability, corruption, counternarcotics, on-budget assistance, and contract management and oversight.

The first challenge, sustainability, refers to the fact that the Afghan government simply cannot sustain the financial and operational burden that the reconstruction has placed on it. Each new development project that USAID or State funds increases operations and maintenance costs, adding pressure to Afghanistan's operating budget. For example, SIGAR reported that USAID built one hospital whose annual operating expenses would jump from \$611,000 to \$1.1–2.1 million, and another whose annual operating expenses would increase from \$98,000 to \$587,000. These are expenses the Afghan Ministry of Public Health likely cannot afford, and that neither USAID nor the Afghan government allocated funds to cover.

Second, long-standing and pervasive corruption could destroy Afghanistan's prospects for continued foreign assistance and for the development and reforms needed to make the government self-sustaining. Recently, General John Allen identified corruption as the worst threat to Afghanistan's future, ranking it above the Taliban, yet there is no comprehensive U.S. strategy or guidance on combating corruption. Further, Afghanistan is tied for last place with Somalia and North Korea as the country perceived as most corrupt of 177 countries rated, and Afghan citizens themselves identify corruption as a serious challenge. This widespread corruption undermines key assistance programs run by USAID and State. For example, SIGAR noted in a recent report that corruption affects all levels of the customs process and is the biggest obstacle to increasing Afghan customs revenue. In fact, USAID officials hypothesize that eliminating or significantly reducing corruption could double the customs revenue remitted to the central government. Yet there are widespread reports of Afghan customs officials being kidnapped and intimidated for listening to U.S. advisors who instruct them to properly collect customs duties.

Third, the expanding cultivation and trafficking of drugs is putting the entire U.S. and international-donor investment in the reconstruction of Afghanistan at risk. Afghan farmers are growing more poppy today than ever before, and in 2013 the value of that opium and its derivatives was estimated at \$3 billion, or the equivalent of 15% of Afghanistan's GDP, representing a substantial increase from 2012. The narcotics trade is poisoning the Afghan financial sector and undermining the Afghan state's legitimacy by stoking corruption. SIGAR continues to express concerns that U.S. programs crucial to the counternarcotics efforts have made limited progress and may not be sustainable. Past audit reports have examined State's construction and administration of the Counternarcotics Justice Center, which was plagued by delayed construction and poor planning that led to over-capacity and detention of low-level, rather than high-profile, detainees. SIGAR continues to evaluate the development of the Counternarcotics Police of Afghanistan and USAID's Kandahar Food Zone program, both of which target the narcotics trade.

TESTIMONY GIVEN

- Testimony 14-65-TY: Oversight of USAID and State Department Reconstruction Efforts in Afghanistan

Performance audits: provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence measured against stated criteria. Performance audits provide objective analysis so that management and those charged with governance can use the information to improve the program performance and operations, reduce costs, and facilitate decision-making by parties with responsibility to oversee or initiate corrective action for public accountability. Performance audits are conducted in accordance with generally accepted government auditing standards (GAGAS) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Federal Offices of Inspector General.

Inspections: are systematic and independent assessments of the design, implementation, and/or results of an agency's operations, programs, or policies. SIGAR conducts inspections, in accordance with CIGIE Quality Standards for Inspection and Evaluation, to provide information to Congress and the public on the quality of construction of facilities and infrastructure throughout Afghanistan; and generally, to provide an assessment of the extent to which the facilities were constructed in accordance with the contract requirements, used as intended, and are being maintained.

Financial audits: provide an independent assessment of and reasonable assurance about whether an entity's reported condition, results, and use of resources are presented in accordance with recognized criteria. SIGAR performs financial audits in accordance with GAGAS, which includes both requirements contained in the American Institute of Certified Public Accountants Statements on Auditing Standards and additional requirements provided in GAGAS. SIGAR also reviews financial audits conducted by independent public accountants (IPA). When an IPA conducts a financial audit, SIGAR conducts reasonable procedures to ensure compliance with GAGAS, based on the intended use of the IPA's work and degree of responsibility accepted by SIGAR with respect to that work.

Fourth, the U.S. commitment to channel more funds through Afghan government institutions increases the risk of waste, fraud, and abuse of reconstruction funds. Since 2002, the United States has provided nearly \$9 billion in on-budget assistance, including \$5.4 billion to Afghan government ministries and institutions. Subsequently, SIGAR has long been concerned with U.S. agencies' abilities to safeguard these funds provided through on-budget assistance. For example, SIGAR has published audit reports examining USAID's salary support to Afghanistan, as well as USAID's assessments of Afghan government agencies' capacity to account for and manage U.S. funds provided directly to the ministries.

Finally, the effective oversight of reconstruction contracts is critical to achieving U.S. political, security, humanitarian, and development goals for Afghanistan. While there is no central database of contracts and it is difficult to estimate a definitive amount that has been obligated, SIGAR's preliminary work indicates that U.S. agencies have obligated nearly \$37 billion in contracts, grants, and cooperative agreements from fiscal year (FY) 2002 to FY 2013 for Afghan reconstruction efforts. To safeguard these funds, SIGAR has conducted inspections of State Department construction projects such as the Justice Center courthouse in Parwan Province and the Baghlan Prison, and found that contractors did not comply with requirements, leading to structural deficiencies, and that contracting officer representatives did not conduct monthly reviews or submit required reports. Further complicating efforts to provide oversight is the drastic reduction in access to reconstruction projects outside of so-called "oversight bubbles" in Afghanistan. This puts billions in reconstruction funds at risk of fraud, waste, and abuse.

AUDITS

SIGAR conducts **performance audits**, **inspections**, and **financial audits** of programs and projects connected to the reconstruction in Afghanistan. Since its last report to Congress, SIGAR has issued three performance audits, three inspections, three financial audit reports, and one audit alert letter. This quarter SIGAR also began one new performance audit, bringing the total number of ongoing performance audits to 15. The published performance audit reports reviewed DOD's ability to account for and safeguard weapons given to the ANSF; contractor performance, government oversight, and ANA handling of Mobile Strike Force Vehicles, and the status and oversight process for reaching audit recommendation resolution at the State Department. The performance audits made a total of six recommendations and the inspections made a total of seven. The financial audits identified over \$2.5 million in questioned costs as a result of internal-control deficiencies and noncompliance issues.

Alert Letter

With Afghanistan in the midst of transition, U.S. military and civilian officials have asked SIGAR to provide them with real-time information to prevent waste and increase the effectiveness of U.S. reconstruction programs. One of SIGAR's main goals is to provide implementing agencies and Congress with actionable information while there is still time to make a difference. To achieve that goal, SIGAR sends alert letters to highlight concerns in real time while implementing agencies are still able to act. During this reporting period, SIGAR sent one alert letter expressing concern about DOD's plans to provide C-130 cargo planes to the Afghan Air Force (AAF).

AUDIT ALERT LETTER

• Audit Alert Letter 14-80-AL: Afghan Air Force C-130 Aircraft

Audit Alert Letter 14-80-AL: Afghan Air Force C-130 Aircraft

On July 10, 2014, SIGAR informed the Secretary of Defense and senior U.S. military officials in Afghanistan that it has concerns regarding DOD's plan to provide C-130 cargo planes to the AAF. SIGAR's preliminary review of the plan indicates that not all of these aircraft may be needed, and that action taken now could save substantial expenditures.

During a SIGAR audit of U.S. support for the AAF to determine its capability to absorb additional equipment, the agency became aware of concerns regarding the C-130 program. First, SIGAR could not determine why DOD, in order to provide airlift of medium weight loads to the AAF, decided to provide four C-130s rather than different quantities or types of aircraft.



Special Inspector General Sopko and SIGAR staff meet with members of the NATO Air Training Command-Afghanistan at Kabul International Airport. (SIGAR photo by Greg Bauer)

Although the decision was made in January 2013 to purchase four C-130s, the AAF's requirements had not been updated since March 2010. Second, SIGAR analyzed flight data for the two AAF C-130s currently in Afghanistan and found that they are being underutilized, which raises questions about whether additional aircraft are truly needed. Lastly, during Special Inspector General Sopko's visit to Afghanistan last month, he learned about support problems associated with training, spare parts, and maintenance for the two C-130s currently in the inventory.

Issues with sustaining U.S.-funded infrastructure and equipment in Afghanistan are not new. However, the opportunity exists with the C-130s to ensure that the Afghans are capable of supporting what the United States has already given them before providing additional aircraft.

Accordingly, in this alert letter, SIGAR suggested that, pending a review of the AAF's medium-airlift requirements and its ability to fully utilize the C-130s currently in the inventory, DOD delay delivery of additional C-130s. If DOD's review indicates additional C-130s are unnecessary, DOD should not provide them. Even the elimination of one C-130 could save up to \$40.5 million through 2017.

As a result of this alert letter, the Senate Appropriations Committee included a provision in the FY 2015 Defense Appropriations Act that prohibits DOD from using FY 2015 funds to transfer C-130s to the ANSF until it provides a review to the congressional defense committees of the AAF's requirements. For more information, see page 62.

COMPLETED PERFORMANCE AUDITS

- Audit 14-83-AR: Department of State: Nearly 75% of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented
- Audit 14-84-AR: Afghan National Security Forces: Actions Needed to Improve Weapons Accountability
- Audit 14-85-AR: Afghan Mobile Strike Force Vehicles: Contractor Met Requirements, but Long-Term Operation and Maintenance Remain a Concern

Performance Audit Reports Published

This quarter, SIGAR completed three performance audit reports that reviewed the State Department's resolution of SIGAR audit recommendations, DOD's program providing weapons to the ANSF, and the ANA MSFV program.

Audit 14-83-AR: Department of State

Nearly 75% of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented

SIGAR initiated this audit to (1) identify and assess the status of all recommendations made to State since SIGAR's inception for all performance audits, financial audits, and inspections; and (2) review actions taken or planned by State to address any open recommendations.

To accomplish these objectives, SIGAR identified and examined all 111 recommendations made to State between SIGAR's inception in 2008 and March 31, 2014, and conducted analysis to determine the number of open, closed and implemented, and closed but not implemented recommendations.

SIGAR categorized each recommendation by broad sector, recommended action, and intended outcome. Finally, SIGAR examined

documentation that State provided for each recommendation to determine any quantifiable financial benefit in the form of cost savings or recovered funds.

SIGAR made 111 recommendations to State from SIGAR's inception in January 2008 through March 2014, and 83 of those recommendations—almost 75%—were implemented. Almost half of the implemented recommendations were designed to improve Afghan governance or promote rule of law and anticorruption efforts. In addition, analysis showed that:

- Almost two-thirds of all recommendations were intended to achieve one of three outcomes: (1) improve State's award, oversight, and management of contracts or grants; (2) assist State to build and sustain the capacity of the Afghan government; or (3) ensure accountability over direct-assistance funds.
- Almost half recommended that State, in order to achieve the intended outcomes, either (1) establish, improve, or follow existing procedures, policies, or other guidance; or (2) improve or implement a plan or strategy.

State's successful and timely implementation of these recommendations resulted in stronger protections against waste, fraud, and abuse in reconstruction activities in Afghanistan. Of the recommendations implemented, two resulted in a total of \$103 million put to better use. Four additional recommendations resulted in the recovery of more than \$6.6 million.

An additional 24 were closed for several reasons:

- Thirteen recommendations were closed because SIGAR planned to conduct additional audit work that could supersede the recommendations.
- Four recommendations were closed because State's failure to take action in a timely way rendered the recommendations moot. In SIGAR's view, if State had taken timely action, improvements could have been made in conducting Afghan elections, and in supporting counterinsurgency initiatives by promoting Afghan employment.
- Four recommendations were closed because, although State did not fully implement the recommendations, it took some actions towards addressing their intent.
- Two recommendations were closed because—although the recommendations were made to multiple agencies, including State—other agencies instead of State implemented the recommendations.
- One recommendation was closed because State did not concur with the recommendation and took no action.

Four of the 111 recommendations remain open. As of July 2014, three of these recommendations were open for six months and one recommendation for one year.

SIGAR did not make any recommendations.



Crated weapons are stored at the ANA Central Supply Depot in Kabul. See Audit Report 14-84-AR. (SIGAR photo by Sarah Kenny)

Audit 14-84-AR: Afghan National Security Forces

Actions Needed to Improve Weapons Accountability

DOD supplies weapons to the ANSF as part of international efforts to train and equip the ANA and the ANP. DOD has provided over 747,000 weapons and auxiliary equipment valued at approximately \$626 million to the ANSF since 2004. Included in these figures are over 465,000 small arms—weapons such as rifles, pistols, machine guns, grenade launchers, and shotguns. CSTC-A is the primary DOD component responsible for overseeing the delivery and transfer of weapons to the ANSF. It works with the Defense Security Cooperation Agency (DSCA) to acquire these weapons. Section 1225 of the National Defense Authorization Act (NDAA) for FY 2010, Pub. L. No. 111-84, requires DOD to implement a program to provide for the registration and monitoring of defense articles transferred to Afghanistan and Pakistan. DOD is also responsible for the oversight of the accountability of these weapons after they are transferred to the ANSF.

This audit focuses on DOD's actions taken to account for and safeguard small arms provided to the ANSF. Specifically, SIGAR's objectives were to (1) evaluate the controls to account for weapons before DOD transfers title to the ANSF, (2) evaluate the controls to account for weapons after DOD transfers title to the ANSF, and (3) determine the extent to which weapons provided by DOD reflect current ANSF requirements and changes in ANSF personnel levels.

DOD maintains information on weapons purchased for the ANSF in two primary information systems: the Security Cooperation Information Portal (SCIP) and the Operational Verification of Reliable Logistics Oversight Database (OVERLORD). SCIP is used by DOD personnel to track the shipment of weapons from the United States, while OVERLORD is used for tracking the receipt of weapons in Afghanistan. Errors and discrepancies often occur because these two systems are not linked to each other and require manual data entry. When SIGAR compared the data in the two systems, it found that the databases did not always match; some records were duplicated, and some records were incomplete. The discrepancies listed below show examples of DOD noncompliance with its internal operating procedures and accountability requirements, and where missing information could result in the inability to locate weapons. Specifically, SIGAR found that:

- Of the 474,823 total serial numbers recorded in OVERLORD, 43%, or 203,888 weapons, had missing information and/or duplication.
- 24,520 serial numbers in OVERLORD and 22,806 weapon serial numbers in SCIP were repeated two or three times, meaning that there are duplicate records of weapons shipped and received.
- OVERLORD contained 50,304 serial numbers with no shipping or receiving dates, and SCIP contained 59,938 serial numbers with no shipping or receiving dates.

While DOD uses SCIP and OVERLORD to account for weapons it purchases and transfers to the ANSF, the ANA tracks weapons using an automated inventory management system called Core Inventory Management System (CoreIMS). However, CSTC-A Security Assistance Office (SAO) officials stated that the information contained in CoreIMS is incomplete and cannot be relied upon for accurate information. CSTC-A SAO officials concluded that this is due, in part, to the ANA not entering information correctly into the system. A 2008 report by the DOD Inspector General also raised concerns about the ANA's recordkeeping process including CoreIMS. As for weapons provided to the ANP, there is no standardized or automated system to account for them. Instead, the ANP uses a combination of hard-copy documents, handwritten records, and some Microsoft Excel spreadsheets to maintain inventory records.

To test the accuracy of weapons data in the various inventory systems and hard-copy sources used by the ANSF, SIGAR conducted physical inventory testing at four ANSF depots and storage facilities in Afghanistan. Although testing at these locations was challenging for a variety of reasons, including the lack of inventory information, SIGAR was able to assess, to some degree, the reliability of information maintained at these sites.

- At the ANA Central Supply Depot, SIGAR found that 551 weapons documented on the Afghan inventory record, called a “property book,” did not match a physical count of the inventory.
- At the ANP 22 Bunkers Depot—the national depot for the ANP—SIGAR was unable to conduct a fully inclusive inventory test; however, SIGAR's limited testing verified the quantities of weapons in each storage container, and SIGAR found no discrepancies in the weapons it was able to inspect.
- At the ANA Kandahar Regional Military Training Center, SIGAR was unable to obtain a complete inventory record, which limits the assurance of accurate and reliable weapons accountability.
- At the 1st Afghan National Civil Order Police Garrison Facility, SIGAR could conduct only a limited physical inspection of the inventory because no inventory list was available. No discrepancies were noted in the limited weapons inspection.

This poor record keeping by the ANA and ANP limits DOD's ability to monitor weapons after transfer to the ANSF, as required by the NDAA for FY 2010.

The United States and Coalition partners provide weapons to the ANSF according to the quantity and type agreed upon in the *tashkil*—the Afghan government's official list of requirements for the ANSF. The *tashkil* has changed over time, with some weapons requirements increasing and others decreasing. SIGAR found that, as of November 2013, more than 112,000 weapons provided to the ANA and ANP exceed requirements in the current *tashkil*. In some cases, excess weapons were provided because ANSF

requirements changed. For example, the ANA has 83,184 more AK-47s than needed because, prior to 2010, DOD issued both NATO-standard weapons, such as M-16s, and non-standard weapons, such as AK-47s. After 2010, DOD and the Afghan Ministry of Defense determined that interoperability and logistics would be enhanced if the ANA used only NATO standard weapons. Subsequently, the requirement was changed. However, no provision was made to return or destroy non-standard weapons, such as AK-47s, that were no longer needed. DOD officials told SIGAR that they do not currently have the authority to recapture or remove weapons that have already been provided to the ANSF.

This issue will be compounded as the number of ANSF personnel is planned to decrease to lower levels in the coming years. Without confidence in the Afghan government's ability to account for or properly dispose of these weapons, SIGAR is concerned that they could be obtained by insurgents and pose additional risks to Afghan civilians and the ANSF.

To account for weapons procured for and transferred to the ANSF, SIGAR recommends that the Commanding General, CSTC-A, in coordination with the Director, DSCA, (1) perform a full reconciliation of OVERLORD and SCIP and correct any data errors identified between the two systems within six months. SIGAR also recommends that the Commanding General, CSTC-A (2) work with the ANSF to complete a 100% inventory check of weapons transferred to the ANSF, and (3) determine what action can be taken to recover or destroy U.S. and Coalition-provided weapons that the U.S. and Afghan governments jointly identified as being in excess of the current Afghan requirements stated in the Afghan tashkil, and develop a plan that addresses the potential future excess of small arms if the ANSF force strength is reduced.

Audit 14-85-AR: Afghan Mobile Strike Force Vehicles

Contractor Met Requirements, but Long-Term Operation and Maintenance Remain a Concern

To improve the ANA's effectiveness, the NATO Training Mission-Afghanistan (NTM-A)/CSTC-A decided that the ANA should have a Mobile Strike Force (MSF) to provide a mechanized-infantry force that is rapidly deployable with integral firepower, protection, and mobility support. To meet this requirement, the Army Contracting Command-Warren (ACC-WRN) awarded two contracts to Textron Marine & Land Systems (Textron), a U.S. firm. Obligations on these contracts have totaled \$661.3 million for 634 Mobile Strike Force Vehicles (MSFV), spare parts, maintenance, and training. The MSF consists of two brigades—the 1st Brigade in Kabul containing four *kandaks*—an ANA unit similar in size to a U.S. battalion—and 2nd Brigade in Kandahar containing three *kandaks*.

The objectives of this audit were to (1) determine the extent to which Textron has met its contractual obligations to produce, deliver, train, and

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Turreted Mobile Strike Force Vehicles are kept at the ANA Armor Branch School. See Audit Report 14-85-AR. (SIGAR photo by Zach Rosenfeld)

provide field support for the ANA MSFVs; (2) evaluate the effectiveness of U.S. government oversight in the procurement, delivery, training, and maintenance of MSFVs for the ANA; and (3) determine the extent to which the ANA has the capacity to operate and maintain its current and planned fleet of MSFVs.

Textron produced 634 MSFVs and provided initial operator and maintenance training to the Afghan MSF at the Armor Branch School in Kabul, in accordance with contract requirements. SIGAR found that all of these vehicles were properly documented and transferred to the DOD. In addition, as of March 25, 2014, DOD had transferred 419 MSFVs to the ANA and could account for the remaining 215 vehicles, 204 of which will eventually be transferred to the ANA and 11 of which DOD will retain as test vehicles. Textron also met other contract requirements such as receiving and inspecting MSFVs upon arrival in Afghanistan; providing initial spare parts, tools, equipment, and weapons installation; and maintaining training vehicles.

Textron, however, was not always able to provide MSF field training and maintenance services for which it was being paid. This was primarily due to the limited number of International Security Assistance Force (ISAF) Joint Command personnel assigned to provide security as called for under the contract. In addition, although all four deployed kandaks received their 60-day initial supply of vehicle spare parts, only one MSF kandak assigned to the 2nd Brigade received any of its comprehensive one-year supply of spare parts maintained at the brigade level. Due to shortfalls in contract funding, ACC-WRN delayed ordering these parts—including replacement engines and drive shafts—which take about a year to manufacture and deliver. As a result, for example, another MSF kandak assigned to the 2nd Brigade had no spare parts beyond an initial 60-day supply for the nine

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months that it received Coalition and contractor support. Coalition advisors noted that the absence of spare parts resulted in a steady deterioration of the MSF kandak's ability to conduct missions. SIGAR requested information on MSFV operational-readiness rates, but this information is not maintained by the brigades, kandaks, or NTM-A.

SIGAR also found that DOD exercised limited oversight of Textron activities at MSF brigades and kandaks. ACC-WRN assigned a contracting officer's representative (COR) to oversee and monitor Textron's performance in Afghanistan. However, the COR was not always physically located in Afghanistan, which limited the COR's ability to visit MSF brigades and kandaks to observe Textron's work. Further, the Product Manager for Allied Tactical Vehicles—a U.S. Army group of acquisition personnel responsible for the life-cycle management of tactical vehicle fleets—assigned associates to help the COR oversee and monitor Textron's performance. The associate in Afghanistan arrived in Kabul in January 2014, but, as of April 2014, had been unable to reach sites outside of Kabul. For example, the associate attempted to travel to the 2nd MSF Brigade in Kandahar on multiple occasions, but the flights were always cancelled for unknown reasons. According to NTM-A officials, oversight personnel rarely conducted site inspections beyond Kabul, even though kandaks are deployed to other provinces such as Zabul and Helmand. On April 22, 2014, ACC-WRN reported that a COR was assigned to Kabul. Although this provides for oversight of activities in Kabul, it does not ensure that someone will provide oversight of Textron's activities at MSF brigades and kandaks outside of Kabul.

Although the ANA has received the majority of its MSFVs, the ANA's ability to independently operate and maintain them has been affected by training and spare-parts problems. Each initial crew member receives eight weeks of basic MSFV operator training at the Armor Branch School in Kabul, but in only one of the three positions—driver, gunner, or vehicle commander. As a result, if for any reason an MSFV loses a crew member, the vehicle may not operate at its full potential until that crew member is replaced. Coalition advisors noted that replacement crew members are normally selected from field units and come to the force without any MSFV experience. While MSF brigades and kandaks located near Kabul can send replacements to the Armor Branch School, it is less feasible for those outside of Kabul to do so. Coalition advisors at the 3rd MSF Kandak in Kandahar stated that getting inexperienced replacements has lowered mission-capable rates for the kandak. As a result, the advisors created a training program to address the issue, but other kandaks do not have a similar program.

Lastly, difficulties in distributing spare parts using the ANA logistics system raise concerns about the ANA's ability to sustain MSFVs. As part of its contract with ACC-WRN, Textron organizes and inventories MSFV spare parts arriving in Afghanistan before they are sent to the ANA. Textron

assists the ANA in sending parts to the two MSF brigades, which in turn are responsible for distributing the parts to their respective kandaks. The continued drawdown of Coalition personnel in Afghanistan means that neither Coalition forces nor Textron will have the resources to continue to provide the level of logistics support services the MSF has relied on to date. Instead, the MSF will rely on the ANA logistics system for ordering and receiving spare parts, which SIGAR and other oversight agencies have previously reported on as having deficiencies. For example, SIGAR reported in October 2013 on the ANA's limited ability to manage vehicle spare parts.

To ensure that Textron is adequately supported in its implementation of the MSFV contracts and that appropriate contract oversight is provided, SIGAR recommends that the Executive Director, ACC-WRN, and the Commander, ISAF Joint Command, (1) review the requirements for contractor support at the MSF brigades and kandaks, taking into account the level of security support available, and modify the contract to reflect realistic capabilities for oversight, and determine which actions are needed to conduct proper oversight of maintenance and training; and (2) assign oversight responsibilities to government personnel working with Textron at the brigades and kandaks and have them report to the contracting officer's representative. To improve the long-term sustainability of MSF operations, SIGAR recommends that the Commanding General, NTM-A, (3) work with the ANA to provide post-Armor Branch School operator training.

See page 40 for the status of SIGAR's recommendations.

New Audits Announced This Quarter

This quarter SIGAR initiated one performance audit which will evaluate the effectiveness, sustainability, and oversight of DOD's Afghan Local Police program.

NEW PERFORMANCE AUDIT

• DOD's Afghan Local Police Program

DOD's Afghan Local Police Program

This audit will focus on the Combined Joint Special Operations Task Force-Afghanistan's (CJSOTF-A) implementation of the Afghan Local Police (ALP) program, which is intended to strengthen local governance by training local Afghans in rural areas to defend their communities against insurgents and other illegally armed groups. CJSOTF-A is responsible for ALP program planning and execution, and provides oversight, mentorship, and training to the ALP. The ALP, created in 2010 and organized under the Ministry of Interior (MOI), had 24,647 officers assigned as of March 2014, and is expected to grow to 30,000 officers by December 2014. The ALP is funded through the ASFF, and as of March 2014, DOD has obligated and expended \$196 million. DOD estimates that the ALP program will cost \$121 million a year to sustain once the ALP reaches 30,000 officers.

Specifically in the course of this audit, SIGAR plans to (1) determine the extent to which the ALP is achieving its goals, (2) assess the MOI's capacity

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TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE (\$ BILLIONS)	
25 Completed Audits	\$2.2
40 Ongoing Audits	3.6
Total	\$5.8

Notes: Numbers have been rounded. Coverage includes auditable costs incurred by recipients of U.S.-funded Afghanistan reconstruction contracts, grants, and cooperative agreements.

Source: SIGAR Audits Directorate.

Questioned amounts: the sum of potentially unallowable questioned costs and unremitted interest on advanced federal funds.

Questioned costs: costs determined to be potentially unallowable. The two types of questioned costs are ineligible costs (violation of a law, regulation, contract, grant, cooperative agreement, etc., or an unnecessary or unreasonable expenditure of funds) and unsupported costs (those not supported by adequate documentation or proper approvals at the time of an audit).

Bill for collection: a letter or form sent to a debtor for the amount due, including interest, administrative charges, and late penalties, if applicable.

Special Purpose Financial Statement: a financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

to manage cash resources and oversee dispersals to ALP officers, and (3) identify how CJSOTF-A and the MOI plan to monitor and sustain the ALP program after 2014, when the number of U.S. forces will be reduced.

Financial Audits

SIGAR launched its financial-audit program in 2012, after Congress and the oversight community expressed concerns about oversight gaps and the growing backlog of incurred-cost audits for contracts and grants awarded in support of overseas contingency operations. SIGAR competitively selects independent accounting firms to conduct the financial audits and ensures that the audit work is performed in accordance with U.S. government auditing standards. Financial audits are coordinated with the federal inspector general community to maximize financial-audit coverage and avoid duplication of effort.

This quarter, SIGAR completed three financial audits of U.S.-funded contracts to rebuild Afghanistan. SIGAR's financial audits program has completed a total of 25 financial audits with over \$2.2 billion in auditable costs and has another 40 financial audits ongoing with more than \$3.6 billion in auditable costs, as shown in Table 2.1. These audits help provide the U.S. government and the American taxpayer reasonable assurance that the funds spent on these awards were used as intended. The audits question expenditures that cannot be substantiated or are potentially unallowable.

SIGAR issues each financial audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on **questioned amounts** identified in the report's audit findings. Since the program's inception, SIGAR's financial audits have identified nearly \$78 million in **questioned costs**, as shown in Table 2.2, and \$191,638 in unremitted interest on advanced federal funds. When the funding agency determines that a questioned amount is unallowable, the agency issues a **bill for collection**. To date, agencies have issued bills for collection for 14 of the completed audits to recover more than \$4.1 million in questioned amounts. It takes time for funding agencies to carefully consider audit findings, so final determinations remain to be made for several of SIGAR's issued financial audits. SIGAR's financial audits have also identified and communicated 109 compliance findings and 117 internal control findings to the auditees and funding agencies.

SIGAR's financial audits have four specific objectives:

- Express an opinion on whether the **Special Purpose Financial Statement** for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

SIGAR OVERSIGHT ACTIVITIES

- Evaluate and obtain a sufficient understanding of the audited entity's internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- Perform tests to determine whether the audited entity complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.
- Determine and report on whether the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements.

A list of completed, new, and ongoing financial audits can be found in Appendix C of this quarterly report.

Financial Audits Published

This quarter, SIGAR completed three financial audits of U.S.-funded cooperative agreements to rebuild Afghanistan. These financial audits identified over \$2.5 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, failure to follow competitive bidding procedures, improper cost allocations, lack of supporting documentation, over-reimbursement of indirect costs, poor record retention, unexplained discrepancies between a contractor's general ledger balance and various supporting documents, and failure to conduct vendor suspension and debarment checks.

Financial Audit 14-74-FA: USAID's Afghanistan Small- and Medium-Sized Enterprise Development Program and Afghanistan Stabilization Initiative Program: Audit of Costs Incurred by Development Alternatives Inc.

USAID entered into contracts with Development Alternatives Inc. (DAI) to support two USAID programs—the Afghanistan Small- and Medium-Sized Enterprise Development (ASMED) program and the Afghanistan Stabilization Initiative (ASI). ASMED was designed to eliminate nongovernmental barriers to establishing and running a business in Afghanistan by funding such activities as supporting the development of local business infrastructure. ASI was designed to build trust between communities and the Afghan government through small community-improvement projects. SIGAR's audit covered the period of October 26, 2006, through November 30, 2012, and expenditures of \$113,387,067 for ASMED, and November 1, 2011, through September 25, 2012, and \$31,269,391 for ASI.

TABLE 2.2

CUMULATIVE COSTS QUESTIONED IN SIGAR'S FINANCIAL AUDITS (\$ MILLIONS)	
Type	
Ineligible	\$14.2
Unsupported	63.4
Total	\$77.6

Note: Numbers have been rounded.

Source: SIGAR Audits Directorate.

COMPLETED FINANCIAL AUDITS

- Financial Audit 14-74-FA: USAID's Afghanistan Small- and Medium-Sized Enterprise Development Program and Afghanistan Stabilization Initiative Program: Audit of Costs Incurred by Development Alternatives Inc.
- Financial Audit 14-75-FA: USAID's Accelerated Sustainable Agriculture Program and Afghanistan Stabilization Initiative: Audit of Costs Incurred by Chemonics International Inc.
- Financial Audit 14-76-FA: USAID's Afghanistan Rule of Law Stabilization Program-Formal Component: Audit of Costs Incurred by Tetra Tech DPK

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Kearney & Company P.C. (Kearney) identified two material weaknesses with DAI's internal control over financial reporting and five instances of DAI's noncompliance with the terms of the award and applicable laws and regulations. The material weaknesses and instances of noncompliance resulted in Kearney questioning \$455,883 in unsupported costs. Kearney did not identify any ineligible costs.

Given the results of the audit, SIGAR recommended that the USAID Mission Director for Afghanistan and the Acting Director of the Office of Transition Initiatives work in conjunction to:

- Determine the allowability of and recover, as appropriate, \$455,883 in unsupported costs identified in the report.
- Advise DAI to address the report's two internal-control findings.
- Advise DAI to address the report's five noncompliance findings.

Financial Audit 14-75-FA: USAID's Accelerated Sustainable Agriculture Program and Afghanistan Stabilization Initiative: Audit of Costs Incurred by Chemonics International Inc.

USAID awarded a contract to Chemonics International Inc. (Chemonics) to implement the Accelerated Sustainable Agriculture Program (ASAP). The program sought to provide economic opportunities in agriculture for rural Afghans. USAID also awarded a contract to Chemonics to support the Afghanistan Stabilization Initiative (ASI) to build trust and confidence between communities and the Afghan government through small community-improvement projects. SIGAR's audit covered the period of November 22, 2006, through October 30, 2011, and expenditures of \$132,818,195 for ASAP, and June 26, 2009, through June 25, 2012, and \$119,549,834 for ASI and was performed by Kearney.

Kearney identified three internal-control deficiencies and five instances of Chemonics's noncompliance with the terms of the award and applicable laws and regulations. These internal-control deficiencies and instances of noncompliance resulted in Kearney questioning \$2,032,485 in costs, including \$2,032,312 in unsupported costs and \$173 in ineligible costs.

Given the results of the audit, SIGAR recommended that the USAID Mission Director for Afghanistan:

- Determine the allowability of and recover, as appropriate, \$2,032,485 in questioned costs identified in the report.
- Advise Chemonics to address the report's three internal-control findings.
- Advise Chemonics to address the report's five noncompliance findings identified.



USAID's ASAP program has given Afghanistan its first state-of-the-art fruit-processing facility. See Financial Audit 14-75-FA. (USAID photo)

Financial Audit 14-76-FA: USAID's Afghanistan Rule of Law Stabilization Program-Formal Component: Audit of Costs Incurred by Tetra Tech DPK

On May 19, 2010, USAID issued a task order to Tetra Tech DPK (Tt DPK) to implement the Rule of Law Stabilization Program-Formal Component (RLS-F). RLS-F sought to develop the capacity of the formal justice sector—principally the judiciary and law schools—and to raise public legal awareness and encourage the citizens of Afghanistan to resolve their disputes by accessing and asserting their rights through the Afghan government's justice system. SIGAR's audit reviewed expenditures of \$30,619,409 on the RLS-F task order from May 19, 2010, through July 15, 2012.

Crowe Horwath LLP (Crowe Horwath) identified two internal-control deficiencies and two instances of noncompliance in its audit of incurred costs by Tt DPK involving RLS-F. As a result of these deficiencies and instances of noncompliance, which were combined into two findings, Crowe Horwath questioned \$39,327 in ineligible costs related to a subcontractor's use of outdated indirect cost rates. Ineligible costs are costs questioned because they are prohibited by the contract, applicable laws, or regulations.

Given the results of the audit, SIGAR recommended that the USAID Mission Director for Afghanistan:

- Determine the allowability of and recover, as appropriate, \$39,327 in ineligible costs identified in the report.
- Collect from Tt DPK the \$50,449 payable to USAID.
- Advise Tt DPK to address the report's two internal control findings.
- Advise Tt DPK to address the report's two noncompliance findings.

INSPECTIONS

This quarter, SIGAR published three inspection reports. One report followed an inspection alert letter SIGAR wrote last quarter about the Baghlan prison construction, and determined that the \$11.3 million facility requires extensive remedial action due to severe damage. A second inspection determined that USFOR-A operated incinerators at Shindand Airbase were constructed and transferred properly, but that mechanical issues led the incinerators to operate at a highly reduced capacity, leading to the use of open-air burn pits. A third inspection found that the quality of the construction of Gereshk Cold and Dry Storage Facility appeared to be good, but that the facility is not being used to date.

COMPLETED INSPECTIONS

- Inspection 14-62-IP: Baghlan Prison: Severe Damage to \$11.3 Million Facility Requires Extensive Remedial Action
- Inspection 14-81-IP: Shindand Airbase: Use of Open-Air Burn Pit Violated Department of Defense Requirement
- Inspection 14-82-IP: Gereshk Cold and Dry Storage Facility: Quality of Construction Appears to Be Good, but the Facility Has Not Been Used to Date

Inspection Reports Published

Inspection 14-62-IP: Baghlan Prison

Severe Damage to a \$11.3 Million Facility Requires Extensive Remedial Action

On September 28, 2010, the Department of State's Bureau of International Narcotics and Law Enforcement (INL) awarded a contract to Omran Holding Group (OHG), an Afghan firm, to build a 495-inmate prison in Baghlan Province. OHG completed construction of the Baghlan prison on November 8, 2012. For this inspection, SIGAR assessed (1) INL's management and oversight of construction, and (2) whether the facility is being used as intended and maintained.

After construction of the Baghlan prison was completed, building settling led to serious structural damage including wide cracks to three buildings. As a result, one building was demolished. Two other buildings also have collapsing walls and cracked structural beams and columns, and will likely need to be rebuilt. INL and its contractor, OHG, an Afghan firm, do not agree on the cause of the building settling and remain in negotiation regarding OHG's responsibility for repairing the facilities and assuming the cost of those repairs.

Nonetheless, both parties agree that OHG did not fully comply with all contract requirements. For example, OHG failed to construct a required stormwater-management system and substituted lower-grade plumbing materials that had been prohibited by INL. OHG also failed to deduct 10% from its billed invoices to create a retainage fund as required by the contract. This led to an \$807,254 shortfall that should have been retained for INL's protection in the event of a contract dispute.

Many of the construction deficiencies may be the result of fraudulent actions by the project's original COR—a former embassy employee—and, possibly, OHG personnel. SIGAR is currently conducting a preliminary inquiry to determine whether any OHG or embassy officials may have been complicit in these alleged activities. In 2013, the contracting officer and INL appointed a new COR and lead engineer for the Baghlan prison. INL also took measures to correct problems at the site, such as the missing stormwater-management system. These are positive steps, but SIGAR remains concerned about an unaddressed construction deficiency, the use of unreinforced brick walls between the column supports of the structures, which violates the International Building Code (IBC) standards called for in the contract. American Concrete Institute manuals, referenced by the IBC, do not allow building unreinforced walls in a seismic zone, where such walls are prone to collapse. According to U.S. Geological Survey data, the Baghlan prison is located in the second-highest earthquake-hazard zone in Afghanistan.

In April, SIGAR alerted the Secretary of State and the U.S. Ambassador to Afghanistan to this problem and suggested that INL rebuild the

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Building 17, one of the three most seriously damaged structures at Baghlan Prison, was demolished due to safety concerns. See Inspection Report 14-62-IP. (INL photo)

structures at Baghlan with steel-reinforced masonry. In response, INL provided photographs that it said showed the buildings had been built using reinforced masonry. To the contrary, these photos demonstrate that the concrete columns at Baghlan were improperly constructed and, moreover, that the method of demolition was unsafe. The methods and materials used to place the concrete in the columns caused voids in the concrete that exposed the reinforcing steel, seriously compromising the column strength. Moreover, the building's heavy concrete roof was left in place, while portions of the brick walls that help support the roof were removed. INL has informed SIGAR that it intends to rebuild any structures at Baghlan in conformance with the original design specifications. However, in SIGAR's view, INL's apparent reluctance to use reinforced masonry to rebuild the Baghlan prison presents a risk to both prisoner and worker safety. Despite extensive structural damage, the prison is being used.

Furthermore, the prison, which was originally designed for 495 inmates, is overcrowded, with an INL-reported current population of 777. The prison also faces two major maintenance issues, which both INL and contractor officials attribute to poor or nonexistent maintenance by the Afghan government. First, both diesel generators, which were designed to be the prison's exclusive sources of power, are non-operational. As a result, the prison is being powered by a much smaller capacity generator that was purchased in July 2012 with the assistance of the International Red Cross. Second, the prison's sewer system is backed up with debris. INL is working to address these problems by helping to fund a nationwide prison operation-and-maintenance program that will train mobile maintenance teams of electricians,

plumbers, masons, carpenters, and painters for facilities throughout the region, including the Baghlan prison.

To ensure prisoner safety and security and to ensure that the U.S. government receives the highest value for its contract dollars, SIGAR recommends that the Secretary of State direct INL to (1) recoup the \$807,254 in invoice charges paid to OHG that should have been retained in order to protect INL in the event of a contract dispute, (2) require that any rebuilding at the Baghlan prison comply with IBC and American Concrete Institute requirements regarding the use of steel-reinforced masonry walls, (3) determine the structural adequacy of the other buildings constructed under the contract and take action to repair or replace those found structurally inadequate, and (4) require the contractor to follow an INL-approved demolition safety plan.

Inspection 14-81-IP: Shindand Airbase

Use of Open-Air Burn Pit Violated Department of Defense Requirement

In May 2011, USACE awarded a \$4.4 million contract to construct solid-waste management facilities, including two incinerators, at Shindand Airbase, a Coalition base located in Herat Province in western Afghanistan housing approximately 4,000 U.S. and Afghan military personnel and contractors. At the time of the contract award, Shindand Airbase was primarily using open-air burn pit operations to dispose of its solid waste. In addition to the two USFOR-A-operated incinerators, in September 2009, USACE awarded an \$11 million contract for incinerators at various bases for use by the Afghan military. Shindand Airbase has two of these Afghan-operated incinerators, which were provided to the Afghan military in August 2012 and cost about \$755,000.

For this inspection, SIGAR assessed whether (1) construction of the incinerators was completed in accordance with contract requirements and applicable construction standards, (2) the incinerators and supporting facilities were being used as intended and maintained, and (3) the use of an open-air burn pit to dispose of solid waste complied with applicable requirements.

SIGAR found that the two USFOR-A-operated incinerators at Shindand Airbase were generally constructed in accordance with contract specifications and transferred to the base in operable condition in June 2012. Further, the two U.S.-funded incinerators built for the Afghan military were transferred in August 2012 with no significant issues that would inhibit their operation.

However, a USFOR-A report completed in December 2012 found that the USFOR-A-operated incinerators were operating at a highly reduced capacity due to mechanical problems and that only 35% of U.S.-produced solid waste was being incinerated, with the remaining burned in an Afghan-run open-air burn pit. While these incinerators were repaired under warranty

SIGAR OVERSIGHT ACTIVITIES

in January 2013, U.S.-generated solid waste continued to be sent to the Afghan-operated burn pit after these repairs took place. USFOR-A did not provide justification for the continued use of the Afghan-operated burn pits after the incinerators became fully operational. Additionally, a May 2013 USFOR-A evaluation found that the Afghan-operated incinerators were in operable condition and the Afghans had been trained and had the proper equipment to operate their incinerators; however, the Afghans did not use them because the burn pits were cheaper to operate.

Despite U.S. Central Command (CENTCOM) requirements to find alternatives to open-air burn pit operations, USFOR-A sent their solid waste to the open-air burn pit until June 2013, and the Afghan military continued to use burn pits to dispose of USFOR-A waste until October 2013. Further, environmental surveys released in 2011 and 2012 stated that solid waste such as batteries and plastics—referred to as “covered waste,” which is prohibited from being disposed of in open-air burn pits—was sent to the Shindand open-air burn pit. Moreover, pursuant to the NDAA for FY 2010, use of open-air burn pits is prohibited unless the Secretary of Defense determines that no alternative disposal method is feasible. The Secretary of Defense is also required to notify Congress of this determination. Despite evidence that covered waste has been disposed of in open-air burn pits at Shindand Airbase, neither CENTCOM nor USFOR-A have justified the use of burn pits to dispose of this waste, determined that there is no alternative to the use of burn pits, or made the required congressional notifications.



An open-air burn pit is used to dispose of solid waste at Shindand Airbase. See Inspection Report 14-81-IP. (SIGAR photo by John Dettinger)

SIGAR recommended that the Commander, CENTCOM, direct the appropriate CENTCOM units to conduct inquiries and report to SIGAR within 90 days to (1) determine why the U.S. military continued to send its solid waste to the open-air burn pit at Shindand Airbase for five months after USFOR-A incinerators became fully operational and (2) determine why prohibited “covered” waste was burned in open-air burn pits at Shindand Airbase as early as January 2011, and why DOD did not notify Congress, as required under Section 317 of the 2010 NDAA.

As part of these inquiries, CENTCOM should determine which officials were responsible for the decision to burn solid waste generated by U.S. forces in open-air burn pits even after the incinerators became fully operational and did not notify Congress as required by law and DODI 4715.19. CENTCOM should also identify what steps will be taken to hold these officials accountable.

Inspection 14-82-IP: Gereshk Cold and Dry Storage Facility

Quality of Construction Appears to Be Good, but the Facility Has Not Been Used to Date

In 2010, the Task Force for Business and Stability Operations (TFBSO) approved the reconstruction of a bombed cotton-factory site in Helmand Province owned by the Afghan Ministry of Commerce and Industry (MOCI). At this site, TFBSO decided to build the \$2.89 million Gereshk Cold and Dry Storage Facility with the intention that it serve as a hub for agricultural development within the province. The project would construct separate cold-and-dry storage warehouses to store local produce, provide a location for sorting and packaging, and serve as a transit point for trucks.

Since TFBSO was originally scheduled to cease operations on September 30, 2011, TFBSO gave the U.S. Army Corps of Engineers (USACE) responsibility for awarding the construction contract and transferred project oversight responsibility to the International Security Assistance Force’s Regional Command-Southwest (RC-SW). On September 7, 2011, USACE awarded an Afghan company the contract to design, build, and equip the facility.

TFBSO’s initial plans called for two cold-storage warehouses with a contract option for two dry-storage warehouses. However, due to limited funding, the final design was changed to one cold-storage and one dry-storage warehouse. The contract also included demolishing two structures; making road improvements; providing on-site prime power generation, an electrical distribution system, and a new water well; and the removal of mines and unexploded ordnance from the site. Construction was completed in May 2013, and USACE approved the completed construction. The facility was transferred to the Afghan government in September 2013. The completed facility provides approximately 10,000 square feet of cold storage and 13,000 square feet of dry storage.

SIGAR OVERSIGHT ACTIVITIES

For this inspection, SIGAR assessed whether (1) construction was completed in accordance with contract requirements and applicable construction standards, and (2) the facility was being used as intended and maintained.

Due to security concerns, SIGAR was not able to conduct an on-site inspection and was therefore unable to determine whether the project fully met contract requirements. Based on interviews with agency officials and on a thorough review of contract and management documentation, SIGAR determined that the Gereshk Cold and Dry Storage Facility appears to be well constructed. However, the project was completed 243 days after the date of completion required by the contract.

To spur contractor performance, USACE sent 26 letters to the contractor, many of them expressing concerns regarding scheduling and delays in contractor performance. At one point, USACE considered terminating the contract for default, but instead assessed liquidated damages of \$223,317 to keep the pressure on the contractor to complete the project. According to USACE documents, USACE was able to keep a local-national quality assurance inspector on-site for part of the project to oversee the construction. In addition, USACE engineers and quality-assurance personnel made 23 site visits during construction.

Although the facility appears to be well constructed, in April 2014, TFBSO, RC-SW, and MOCI officials told us that the Gereshk Cold and Dry Storage Facility had never been used and was not being maintained. TFBSO has not achieved what it told SIGAR was the key to the project's success—the operation, maintenance, and control of the facility by an Afghan business. However, a potential investor was not identified until well after TFBSO approved the project and USACE awarded the contract and, subsequently, the investor failed to expand its business in the Gereshk area. TFBSO officials told us that several other Afghan investors have expressed interest in the facility. However, final deals have never been reached. According to TFBSO officials, the investors told them that the Afghan district governor was asking for money from the investors and the construction contractor before leasing the property. MOCI officials confirmed that the facility is still not being used, but stated that there are some businesses interested in the facility. Unfortunately, as of April 2014, the MOCI had not identified a business willing to lease the facility. MOCI's Deputy Minister told SIGAR that the ministry is continuing to look for private sector investors to lease the facility.

As a lesson learned for successfully commercializing future TFBSO investment projects, SIGAR recommended that the Acting Under Secretary of Defense for Policy direct TFBSO to ensure that before approving future investment projects of any kind, there are willing investor(s) capable of assuming ownership of and responsibility for maintaining constructed



The cold-storage facility at Gereshk includes shelving and cooling equipment. See Inspection Report 14-82-IP. (RC-SW photo)

facilities; or, in the absence of investors, that the MOCI is willing and able to assume those responsibilities itself.

STATUS OF SIGAR RECOMMENDATIONS

The Inspector General Act of 1978, as amended, requires SIGAR to report on the status of its recommendations. This quarter, SIGAR closed seven recommendations contained in two audit reports. One of these recommendations resulted in the recovery of \$311,887 in ineligible or unsupported contract costs paid by the U.S. government. (Financial Audit 14-34-FA)

From 2009 through June 2014, SIGAR published 134 audits, alert letters, and inspection reports and made 420 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed nearly 80% of these recommendations. Closing a recommendation generally indicates SIGAR's assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue. In some cases, a closed recommendation will be the subject of follow-up audit work.

The Inspector General Act of 1978, as amended, also requires SIGAR to report on any significant recommendations from prior reports on which corrective action has not been completed. In this quarter, SIGAR continued to monitor agency actions on recommendations in 29 audit and five inspection reports. As previously reported, there continues to be one audit with recommendations over 12 months old where the agency has yet to produce a corrective action plan that SIGAR believes would resolve the identified problem. However, an agency response was recently received and is being reviewed by SIGAR. The recommendation is from audit report 13-4, *Afghan National Army: Controls Over Fuel for Vehicles, Generators, and Power Plants Need Strengthening to Prevent Fraud, Waste, and Abuse*. Released in January 2013, the report questioned the process used to order, receive, and pay for petroleum, oil, and lubricants for ANP vehicles. Additionally, there are four audit reports over 12 months old where SIGAR is waiting for the respective agencies to complete their agreed-upon corrective actions.

SIGAR recently initiated audits of the agency resolution process at the Departments of Defense and State, and USAID. The audits examine the status and oversight process for reaching audit resolution at these agencies. This quarter, SIGAR issued the final report for the Department of State. Report issuance for the work performed at the other two agencies is expected later this year.

SPECIAL PROJECTS

The Inspector General's Office of Special Projects was created to examine emerging issues and deliver prompt, actionable reports to federal agencies

and the Congress. The team conducts a variety of assessments, producing reports on all facets of Afghanistan reconstruction. The directorate is made up of auditors, analysts, investigators, lawyers, subject-matter experts, and other specialists who can quickly and jointly apply their expertise to emerging problems and questions.

During this reporting period, SIGAR's Office of Special Projects issued a review of the safety of spray foam insulation systems used in ANA facilities. Special Projects also wrote several letters to CSTC-A, USFOR-A, the U.S. Navy, the Professional Services Council, USAID, IRD, defense contractors, USDA, DOD, and several other U.S. government agencies. These inquiry letters covered a wide range of topics, including confidentiality agreements, mobile money, soybean program, cancelled contracts, safety of spray foam used in construction, LOTFA money used to pay the ANP, contractor-identified best practices, whistleblower protections, ANP patrol boats, an award which studied ways to make reconstruction decisions, maintenance of Afghan roads, Kandahar electrical production plans, a request for data on reconstruction funding by smaller U.S. agencies, and allegations of human trafficking.

Completed Special Projects

At this time Special Projects considers these projects complete and does not anticipate doing any additional work on these issues.

Inquiry Letter 14-55-SP: International Relief and Development's Confidentiality Agreement

On May 5, 2014, SIGAR wrote to IRD to express serious concerns about IRD's use of confidentiality agreements to possibly prohibit employees from making critical statements about IRD to funding agencies or officials of any government. As IRD receives millions of taxpayer dollars from USAID, its conduct leads SIGAR to be especially concerned about IRD's commitment to transparency and government oversight. SIGAR requested that IRD provide information about its current and past practices regarding confidentiality agreements. (See "Ongoing Special Projects" for a related inquiry, Inquiry Letter 14-60-SP.)

Alert Letter 14-56-SP: Alerting USAID on IRD's Confidentiality Agreement

SIGAR wrote to USAID on May 5, 2014, to alert the agency to allegations made in a *Washington Post* article that IRD has attempted to use confidentiality agreements to prevent employees from making critical statements. SIGAR suggested that USAID notify all contract, cooperative agreement, and grant recipients in Afghanistan that SIGAR will not tolerate efforts to restrict the rights of whistleblowers. Furthermore, SIGAR suggested that USAID's future contracts include provisions to forbid recipients of federal

COMPLETED SPECIAL PROJECT PRODUCTS

- Special Project 14-55-SP: Inquiry Letter: International Relief and Development's Confidentiality Agreement
- Special Project 14-56-SP: Alert Letter: Alerting USAID on IRD's Confidentiality Agreement
- Special Project 14-61-SP: Inquiry Letter: ANP Mobile Money Pilot Program Response
- Special Project 14-69-SP: Inquiry Letter: USDA Response to Soybean Inquiry
- Special Project 14-73-SP: Inquiry Letter: Cancelled USAID Contracts
- Special Project 14-77-SP: Review: Safety of Spray Foam Insulation in ANA Facilities

funds from using confidentiality agreements to prohibit employees from talking to U.S. government officials.

Inquiry Letter 14-61-SP: ANP Mobile Money Pilot Program Response

Last quarter, SIGAR wrote to CSTC-A generals to inquire about the status of the MOI pilot program that uses “mobile money” to pay salaries directly to ANP personnel via electronic transfers. These salaries are funded, in part, by U.S. taxpayer money through direct-assistance funds to LOTFA. On May 3, 2014, CSTC-A responded to SIGAR’s original inquiry letter.

On May 28, 2014, SIGAR again wrote to CSTC-A about the mobile-money pilot program, expressing concern about CSTC-A’s estimate that 18% of ANP salaries are paid in cash directly to ANP employees. As much as half of those direct cash payments are diverted from rightful recipients, putting up to \$45.5 million in salary payments in FY 2014 at risk of diversion. SIGAR emphasized the importance of ensuring that ANP employees receive their full salaries in order to create an honest, reliable, and sustainable police force. This can be accomplished, in part, by less reliance on using the so-called “trusted agent” system currently used to pay some ANP employees.

Inquiry Letter 14-69-SP: USDA Response to Soybean Inquiry

Last quarter, SIGAR sent an inquiry letter to the U.S. Department of Agriculture (USDA) about its Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI). In May 2014, SIGAR Special Projects received USDA’s response. Upon review of the requested materials, SIGAR Special Projects identified the following concerns:

- Soybean production levels were not up to expected levels, jeopardizing the sustainability of the soybean factory built as part of the initiative.
- The project implementer, the American Soybean Association (ASA), did not conduct feasibility or value-chain studies prior to proposing and initiating the project.
- Scientific research conducted for the United Kingdom Department for International Development between 2005 and 2008 concluded that soybeans were inappropriate for conditions and farming practices in northern Afghanistan, where the program was implemented.
- Despite the lack of prior planning and analysis, and despite evidence that may have put the success of the program in doubt, USDA provided \$34.4 million in commodities, transportation, and administrative funds to ASA for SARAI.



The USDA’s soybean program in Afghanistan has raised concerns at SIGAR. See Special Project 14-69-SP. (SIGAR photo by Smythe Anderson)

Following the identification of these areas of concern, SIGAR wrote a letter to the Secretary of Agriculture, suggesting that the Secretary implement a comprehensive evaluation of the project before any further

investment and develop a plan to address the deficiencies and challenges already identified.

Inquiry Letter 14-73-SP: Canceled USAID Contracts

SIGAR wrote to USAID on July 1, 2014, to share preliminary observations made after reviewing USAID's responses to two prior inquiry letters about 19 contracts that USAID has terminated in Afghanistan since 2008. SIGAR's Investigations and Audits Directorates will conduct further analysis on the comprehensive information provided by USAID.

Review 14-77-SP: Safety of Spray Foam Insulation in ANA Facilities

In April 2013, SIGAR raised safety concerns regarding substandard spray polyurethane foam insulation systems used in arch-span type facilities USACE constructed for the ANA. The concern was prompted by fires that destroyed two buildings under construction using insulation systems which did not comply with International Building Code (IBC) standards. USACE responded to SIGAR stating that the agency would stop installing noncompliant systems and would identify corrective measures to ensure compliance with IBC standards in both completed and future construction. Shortly thereafter, SIGAR initiated a review to determine why USACE contractors installed noncompliant systems in the first place, the cost of remediation, and whether USACE's efforts would ensure full IBC compliance.

On July 9, 2014, SIGAR reported on the results of its review. SIGAR found that 1,600 of the nearly 2,000 buildings constructed in the



A fire at a non-code-compliant ANA classroom destroyed the structure in 30 minutes. See Special Project 14-77-SP. (USACE photo)

\$1.57 billion program did not meet IBC standards and remediation efforts bringing them into compliance could cost \$50–60 million. Further, despite assurances from USACE that they would stop installing noncompliant systems, a memorandum issued in January 2014 by a senior official countermanded those representations by authorizing the use of noncompliant materials in 285 buildings in various stages of construction for the ANA. USACE acknowledged that the buildings have “an increased risk in the event of a fire” but contended that the operational needs of the ANA justified the change in policy. USACE also relied on the physical conditioning of the building occupants stating “the typical occupant populations for these facilities are young, fit Afghan soldiers and recruits who have the physical ability to make a hasty retreat during a developing situation.” The affected buildings include 83 barracks, four medical clinics, and two fire stations, according to USACE.

Moreover, USACE failed to enforce its own contract requirements because personnel tasked with approving contractor construction proposals were not sufficiently familiar with arch-span construction or IBC standards. USACE also provided incomplete information in the requests for proposals it supplied to contractors; an outside architect-engineering firm concluded requirements were missing in 31 out of 58 contracts. Additionally, USACE failed to identify and reject substandard products proposed for use by contractors.

SIGAR concluded that it was imperative for immediate action to be taken to bring all the buildings into compliance with safety standards or to show what action will be taken to remedy the dangerous conditions; notify the ANA about the hazardous buildings; rescind the January 2014 memorandum; and review the internal procedures that led USACE to adopt contract requirements it was unable to enforce.

Ongoing Special Projects

At this time the Office of Special Projects does not consider these inquiries complete. Special Projects is waiting for the responses to requested information, or is in the process of analyzing information already received.

Inquiry Letter 14-54-SP: ANP Patrol Boats

On April 24, 2014, SIGAR wrote to the commanding general of CSTC-A to request information about \$3 million worth of patrol boats procured for the ANP with ASFF funds. CSTC-A requested that the U.S. Navy purchase the patrol boats in 2010, but cancelled the requirement for the new boats in 2011. Because 80% of the funds had been disbursed, the contract was allowed to proceed to completion. The patrol boats are now sitting in storage in Yorktown, Virginia, as they have for three years.

SIGAR requested that CSTC-A provide information about the ANSF's existing watercraft fleet and mission, the procurement process CSTC-A

conducted including the rationale for the initial justification for the procurement as well as for its cancellation, the cost to store and preserve the patrol boats, and plans to dispose of or utilize the boats in the future. (See “Ongoing Special Projects” for related inquiries, Inquiry Letters 14-66-SP and 14-67-SP.)

As a result of SIGAR Special Project inquiry letters about the ANP patrol boats, the House version of the FY 2015 Defense Appropriations Act includes a provision that prohibits DOD from using FY 2015 funds to store patrol boats purchased for the ANP. For more information, see page 63.

Inquiry Letter 14-57-SP: UNDP LOTFA Oversight

On February 19, 2014, SIGAR wrote to CSTC-A and NTM-A to express concern that the United States might be unwittingly helping to pay the salaries of non-existent members of the ANP. A 2011 SIGAR audit report also raised questions about the UNDP’s management of LOTFA, which is used to pay ANP salaries. Contributions to LOTFA to date have totaled \$3.72 billion with the United States contributing \$1.52 billion. CSTC-A responded to SIGAR’s letter on March 7, 2014, recognizing the potential vulnerabilities in providing Afghan security ministries with direct contributions and outlining measures they have taken to mitigate such risk. While recognizing that more must be done, CSTC-A highlighted corrective actions including establishing new audit efforts and the removal of 54,000 erroneous personnel ID numbers in the LOTFA database used to manage ANP payroll.

SIGAR furthered its inquiry into the financial management of LOTFA on May 13, 2014, in a letter to the UNDP Administrator. SIGAR focused its letter on potential improper use of funds generated by deductions taken by the MOI from police salaries supposedly for retirement and pension purposes within the ANP. The UNDP response on June 6, 2014, outlined their position that LOTFA does not exercise oversight of certain salary deductions or potential overpayments to highly ranking ANP officials serving in posts that require a lower rank. SIGAR is evaluating next steps to improve oversight of the control mechanisms governing LOTFA expenditures.

Inquiry Letter 14-58-SP: Professional Services Council

On May 13, 2014, SIGAR wrote to the Professional Services Council (PSC) following a speech that Special Inspector General Sopko gave to members in February 2014. In its letter, SIGAR asked for PSC members’ insight and observations on: factors shaping greater or lesser successes of programs and projects, in-country challenges while operating in Afghanistan, federal issues that impede programs, and any suggested improvements in federal entities’ engagement, interaction, management, and oversight of contractors in Afghanistan. Insights and observations from PSC members will help SIGAR focus its work as it becomes more challenging for contractors to carry out their mission in a post-2014 Afghanistan.

ONGOING SPECIAL PROJECT PRODUCTS

- Special Project 14-54-SP: Inquiry Letter: ANP Patrol Boats
- Special Project 14-57-SP: Inquiry Letter: UNDP LOTFA Oversight
- Special Project 14-58-SP: Inquiry Letter: Professional Services Council
- Special Project 14-60-SP: Inquiry Letter: IRD Whistleblower Protections Response
- Special Project 14-63-SP: Inquiry Letter: SBIR Study
- Special Project 14-64-SP: Inquiry Letter: Maintenance of USAID-Funded Roads
- Special Project 14-66-SP: Inquiry Letter: CSTC-A Response to ANP Patrol Boat Inquiry
- Special Project 14-67-SP: Inquiry Letter: ANP Patrol Boat Disposition
- Special Project 14-68-SP: Inquiry Letter: Kandahar Bridging Solution
- Special Project 14-70-SP: Inquiry Letter: Contractor Recruitment of Third Country Nationals for Afghan Work
- Special Project 14-71-SP: Inquiry Letter: Request for Reconstruction Program Data Information
- Special Project 14-72-SP: Inquiry Letter: Maintenance of DOD-Funded Roads
- Special Project 14-78-SP: Inquiry Letter: Contractor Recruitment of Third Country Nationals for Afghan Work

Inquiry Letter 14-60-SP: IRD Whistleblower Protections Response

On May 19, 2014, IRD responded to SIGAR's May 5, 2014, letter about the company's confidentiality policy. In turn, SIGAR wrote back to IRD on May 20, 2014, disagreeing with the statement that IRD and SIGAR have "come to an understanding" about the confidentiality provisions of former employees' separation agreements. SIGAR expressed concern that IRD continues to discourage current and former employees from pursuing their rights under federal whistleblower laws. SIGAR requested that IRD provide copies of separation agreements, contact information for the 49 employees who signed separation agreements with confidentiality provisions, and a list of IRD contracts, grants, and cooperative agreements with U.S. government agencies with which each of the 49 employees were involved. IRD has provided the requested information and SIGAR is reviewing the information contained in that response.

Inquiry Letter 14-63-SP: SBIR Study

SIGAR wrote to the Office of the Assistant Secretary of Defense for Research and Engineering on June 5, 2014, to request information concerning a study titled "Contextual Sociocultural Reasoning in Weak Signal Environments," which is funded by a Small Business Innovations Research (SBIR) award. The objective of the study was to develop an "automated decision-making tool" for "predicting the success of proposed military actions in areas of interest and providing early warnings and alerts for activities that are precursors for hostile responses, outbreaks of conflict, and breeding grounds for terrorism." SIGAR is reviewing the information received on this study from DOD and its potential implications on reconstruction decision making.



Many U.S.-funded roads, like this one from Gardez to Khowst, may not be sustainable. See Special Project 14-64-SP. (USAID photo)

Inquiry Letter 14-64-SP: Maintenance of USAID-Funded Roads

SIGAR sent a letter to USAID on June 6, 2014, to express concern that the U.S. government may be supporting road projects in Afghanistan that will be unsustainable due to inadequate maintenance. The letter requested information about USAID's contract with a Louis Berger Group/Black and Veatch (LBG/BV) joint venture to develop an organic Afghan government road-maintenance capability, the status of USAID's funding of road maintenance programs, and any existing plans for maintaining existing roads or building new roads. USAID responded that the Afghan Road Maintenance Unit developed in the LBG/BV contract was still operational, though it is focusing only on provincial roads. USAID stated that it was supporting programs run by the World Bank and other international partners to ensure that the Afghan government has the capacity and funding to maintain the roads built by the United States and other international donors. SIGAR is reviewing USAID's response and information provided.

Inquiry Letter 14-66-SP: CSTC-A Response to ANP Patrol Boat Inquiry

CSTC-A responded to Inquiry Letter 14-54-SP, stating that they could not locate records of the justification or cancellation of the ANP patrol boats. On June 6, 2014, SIGAR again wrote to USFOR-A and CSTC-A about the \$3 million procurement of patrol boats for the ANP. SIGAR expressed concerns that CSTC-A was unable to respond to the majority of SIGAR's original questions about the patrol boats, and noted that CSTC-A's lack of records makes it difficult for SIGAR to discern the history of the procurement and cancellation decisions. SIGAR also requested that CSTC-A supply a detailed accounting of its review board's decision that the patrol boats do not fill a valid requirement for Afghanistan. CSTC-A responded to the second letter and pledged to conduct an investigation to track down the documents relating to the justification and cancellation of the requirements for the ANP patrol boats.

Inquiry Letter 14-67-SP: ANP Patrol Boat Disposition

SIGAR sent an inquiry letter to the Secretary of the U.S. Navy on June 6, 2014, to request information about the ANP patrol boats that are being stored in Yorktown, Virginia. SIGAR's letter asks the Navy to explain its plans for disposing of the patrol boats, the cost of storing the boats, and the source of funding for the storage costs.

Subsequent to this inquiry letter SIGAR Special Projects personnel traveled to Naval Supply Station-Cheatham Annex in order to inspect the boats in storage. SIGAR personnel found the boats stored in shipping containers in a field within the Naval Supply Station. SIGAR personnel were informed that the boats were approaching the end of the time during which they should be serviced to ensure functionality and that the extreme heat and humidity of the shipping containers were not ideal storage conditions. SIGAR personnel informed a representative of the Office of the Secretary of the Navy of their concerns with the storage conditions. SIGAR is waiting for the Navy's response on actions they are taking to dispose of these boats.

Inquiry Letter 14-68-SP: Kandahar Bridging Solution

On June 10, 2014, SIGAR wrote to State, DOD, ISAF, and USAID to inquire about the U.S. government's plans to provide electric power in Kandahar after December 2014. Presently two large generators provide 10 megawatts of power to assist Kandahar in meeting its electrical needs. The fuel for these generators will be provided by DOD through December 2014. Beginning in January 2015 both the amount of fuel that DOD will provide and the rate of subsidy will be diminished until the program is completely halted in September 2015. Several U.S. government electrification projects that will make up that shortfall are slated to come on-line between late 2015 to 2018. However, this could leave a considerable gap in time between



Patrol boats intended for ANP use sit unused in a storage facility in Yorktown, Virginia. See Special Projects 14-54-SP, 14-66-SP, and 14-67-SP. (SIGAR photo by Nicole Stauch)

the termination of subsidized fuel and the completion of the electrification projects. SIGAR is concerned that a planned “bridging solution to the bridging solution”—an Afghan-led hybrid program that would provide Kandahar with power from a combination of sources during that time—has a tight timeline, and ambitious cost estimates which could potentially compromise electrical service to Kandahar, thus endangering counter-insurgency and economic gains made over the last few years. DOD and USAID provided a joint response which contained greater detail into proposed plans for continued electrification in Kandahar. This response is being reviewed and analyzed by SIGAR staff.

Inquiry Letter 14-71-SP: Request for Reconstruction Program Data Information

On June 26, 2014, SIGAR sent an inquiry letter to several executive departments and agencies to follow up on a 2013 inquiry letter sent to U.S. government agencies conducting reconstruction efforts in Afghanistan. While State, DOD, and USAID responded in 2013, several agencies with smaller roles did not. SIGAR has requested that agencies that did not respond previously provide comprehensive information on all completed, ongoing, and planned reconstruction projects in Afghanistan. SIGAR also expanded the request to agencies that were not included in the first request in order to ensure that it would receive comprehensive information on all U.S. reconstruction programs in Afghanistan. Information requested in the inquiry letter includes program name and description, vendor or implementing partner, contract identifier and type of legal instrument, estimated total project cost, start and end date, funding source, and location. SIGAR will evaluate and categorize these responses once received.

Inquiry Letter 14-72-SP: Maintenance of DOD-Funded Roads

SIGAR sent an additional letter relating to the construction and maintenance of roads in Afghanistan to DOD on June 26, 2014. This letter requested information on the total reconstruction costs for road projects funded by DOD; raised additional questions about ongoing and planned road construction projects; and questioned whether maintenance of these projects was anticipated and funded. SIGAR also inquired about the current capacity for the Afghan government to maintain these roads and any possible future funding sources to maintain road networks in Afghanistan.

DOD responded by informing SIGAR that the Commander’s Emergency Response Fund (CERP) has provided funding for approximately 252 transportation-construction projects valued over \$159 million and the Afghanistan Infrastructure Fund (AIF) provided \$67.6 million for road construction, respectively. It also provided details relating to the three AIF projects under construction at a cost of \$34.6 million, one CERP repair

project nearing completion at a cost of \$4.9 million, and information that there are “no future CERP or AIF roads planned at this time.”

DOD also commented that all CERP and AIF projects require signed sustainment agreements from local provincial governments and/or the Afghanistan Ministry of Public Works (MOPW) prior to commencing work on any road-construction project. Additionally, DOD confirmed that neither CERP nor AIF provide funding for maintenance or sustainment projects and noted that the MOPW is provided an annual budget and is responsible for the execution of project design, survey, reconstruction and rehabilitation of roads, road maintenance, contracting for road construction with private sector/road companies, monitoring and planning of railways, and the restoration of roads and bridges.

Inquiry Letters 14-70-SP and 14-78-SP: Contractor Recruitment of Third-Country Nationals for Afghan Work

Utilizing findings from a human-trafficking initiative started by SIGAR Investigations special agents at U.S. military bases in Afghanistan, Special Projects conducted numerous interviews with LOGCAP contracting officials and their military overseers at Rock Island Arsenal in Illinois. These interviews focused on the recruitment and treatment of foreign workers employed at the bases. Special Projects subsequently issued several letters of inquiry asking for documentation of foreign-worker recruiting practices and policies, and contractors’ adherence to federal human-trafficking rules. Also, Special Projects staff consulted with DOD’s Combating Trafficking in Persons task force, which is conducting separate reviews of human-trafficking regulations and enforcement. This inquiry is ongoing and may be expanded.

On June 13 and July 9, 2014, SIGAR wrote to two contractors to express concern that the companies’ recruiters may be engaged in improper and deceptive recruiting of third-country nationals for work at U.S. military bases, in the form of applicants paying large fees to recruiters. One contractor provided SIGAR with information showing that more than 2,400 third-country nationals who work for the prime contractor have paid recruiting fees. Furthermore, SIGAR special agents have gathered information on allegations of other improper recruitment practices as well as alleged mistreatment of third-country national employees at U.S. military bases.

INVESTIGATIONS

During the reporting period, monetary results from SIGAR’s ongoing investigations totaled \$3.1 million. Criminal fines, restitutions, and forfeitures amounted to \$600,000, **contract monies protected** totaled \$500,000, and two civil settlement agreements had a combined total of \$2 million. Investigations resulted in two arrests, three **criminal informations**, three plea agreements, and two sentencing in the United States. In Afghanistan,

Contract Monies Protected: appropriated reconstruction funds not obligated to contractors based on SIGAR activity.

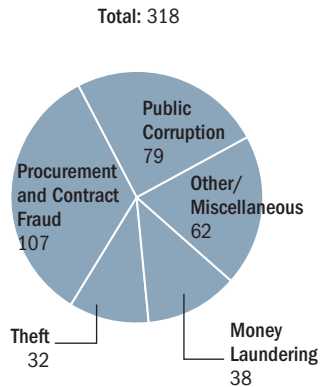
Criminal Information: a written accusation made by a public prosecutor, without the participation of a grand jury. The function of an information is to inform the defendant of the nature of the charge made against him and the act constituting such charge so that he can prepare for trial and to prevent his being tried again for the same offense.

Sources: SIGAR Investigations Directorate; Black’s Law Dictionary.

SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS AS OF JUNE 30, 2014



Source: SIGAR Investigations Directorate, 7/8/2014.

one subject was arrested, three Afghans were barred from having military installation access, and two government contractors were terminated. SIGAR initiated 26 new investigations and closed 46, bringing the total number of ongoing investigations to 318, as shown in Figure 2.1. SIGAR's suspension and debarment program referred 16 individuals and 39 contractors for suspension or debarment. Of these 55 contractors, 39 individuals and 12 companies were referred for debarment based on allegations that they engaged in fraud and nonperformance of as part of contracts valued at \$180,179,563.

Former U.S. Contractor Employee Pleads Guilty to Fraud Scheme

On May 23, 2014, in the Middle District of Florida, Alan Simmons, a former employee of U.S. contractor PAE Inc., pled guilty to conspiracy to defraud the U.S. government. Simmons worked in Afghanistan as a training program coordinator for PAE. PAE had a contract with the State to provide training and uniforms to Afghan correctional officers. Simmons was responsible for coordinating with others at PAE as to the number and types of uniforms to be ordered and provided to the Afghan correctional officers upon completion of training.

Simmons and others created a company, Aminzian Logistics Services (Aminzian) to provide uniforms to PAE as a subcontractor. Aminzian would submit false and fraudulent invoices to PAE seeking payment for goods that were never provided. After Aminzian was paid, Simmons and his co-conspirators split the proceeds. The U.S. government incurred a loss of over \$120,000 from paying the false invoices.

\$1.25 Million Civil Settlement from Investigation

On May 6, 2014, Afghan American Army Trucking Services (AAA) entered into a civil settlement agreement whereby AAA is obliged to pay \$1,250,000 to the United States by an electronic funds transfer. The settlement agreement marks the final outcome of SIGAR's criminal investigation involving U.S. Army Sergeant Christopher Weaver, former U.S. Army Specialist Stephanie (Shankel) Charboneau, and a former FLUOR Corporation employee, Jonathan Hightower.

AAA had entered into a Host Nation Trucking (HNT) contract with the U.S. Army to provide point-to-point dry goods and fuel-shipping services throughout Afghanistan. The civil claims against AAA arose from services provided by AAA under the HNT contract related to Forward Operating Base (FOB) Fenty. The claims include the submission of 55 false and forged transportation-movement requests for fuel shipments that were stolen from FOB Fenty and/or never delivered to other FOBs by employees of AAA during the period of September 2010 through December 2010. The settlement

agreement represents AAA's compromise to avoid litigation and does not represent an admission of liability.

Former U.S. Army Sergeant Sentenced for Fuel-Theft and Kickback Scheme

On April 9, 2014, in the Eastern District of North Carolina, James Edward Travis was sentenced to 60 months' federal incarceration and ordered to pay restitution of \$422,302. Following completion of the sentence, Travis must serve three years' supervised probation.

The investigation revealed that during his deployment, Travis, a sergeant first class, had the dual role of paying agent and contracting officer representative at FOB Sharana. Between January 3, 2012, and October 4, 2012, Travis accepted \$211,890 in kickbacks from various contractors. Additionally, he was involved in a fuel-theft scheme of government-appropriated fuel that totaled in excess of \$400,000.

\$14,500 in Illicit Proceeds Seized

A DynCorp International contract employee, Samuel Muturi, confessed to SIGAR and International Military Police (IMP) Officers he attempted to smuggle \$12,500 concealed in stolen U.S. government laptops and other materials in a DHL shipment from Kandahar Airfield (KAF) to Kenya, where he resides. The investigation uncovered that the currency was bribe payments Muturi received from Afghan nationals for facilitating the theft and sale of over 200 drums of U.S. government motor and waste oil taken from the DynCorp's KAF storage facility. Muturi also confessed to having in his room an additional \$2,000 of illicit funds obtained from the same scheme and which IMP recovered. The IMP, pursuant to this SIGAR investigation, seized a total of \$14,500 of illicit funds as evidence. Muturi immediately resigned from his contract position with DynCorp International and departed KAF. On February 17, 2014, the Commander at KAF issued Muturi a notice barring him indefinitely from U.S. bases in Afghanistan.

On April 23, 2014, the IMP Detachment disposed of the \$14,500 held in evidence for SIGAR pursuant to U.S. Army regulations, and turned the seized currency into the KAF Finance Center. The money was deposited into U.S. Army accounts at the Defense Finance and Accounting Service for final reimbursement to the U.S. government.

Investigation Results in Two Convictions for Money Laundering Scheme

On May 15, 2014, in the Eastern District of Tennessee, James C. Pittman entered a guilty plea to a one-count criminal information for money laundering. On May 28, 2014, Jimmy Wayne Dennis entered a guilty plea to a one-count criminal information for conspiracy to commit money

laundering. Both subjects were released on a personal-recognizance bond pending sentencing.

The investigation of Pittman and Dennis focused on Afghan contractors bribing U.S. military personnel in return for government contracts associated with the Bagram Airfield Humanitarian Aid Yard, which functions as storage for large quantities of clothing, food, school supplies, and other items available to military units, in support of humanitarian aid for the Afghan people.

Pittman and Dennis will be sentenced in September 2014.

U.S. Army Sergeant Sentenced for Fuel-Theft Scheme

On May 22, 2014, in the Western District of Kentucky, U.S. Army Sergeant Albert Kelly III was sentenced to 18 months' incarceration and three years' supervised release. He was ordered to pay restitution of \$100,000.

The investigation revealed that from November 2011 until January 2012, Kelly permitted the diversion of fuel-delivery trucks from FOB Salerno to other locations, where the trucks were offloaded and the fuel stolen. To conceal the diversions, Kelly falsely certified that the diverted fuel had in fact been delivered and offloaded at FOB Salerno. In exchange for assisting in the fuel theft, Kelly received approximately \$57,000 from an Afghan trucking company for diverting approximately 25,000 gallons of fuel. The total loss to the government was approximately \$100,000.

Employee Terminated at U.S. Embassy Kabul

In June 2014, the U.S. Embassy Kabul terminated a locally employed staff member at the embassy because of an investigation by SIGAR, the State Department OIG, and DCIS. The investigation was initiated upon receipt of information indicating Abdul Masood Walizada, a shipping and customs assistant for the U.S. Army, Surface Deployment and Distribution Command (SDDC), General Services Office (GSO), was receiving bribes from contractors for securing improper diplomatic notes for tax exemption of U.S. cargo coming into Afghanistan through the Iranian border at Islam Qala. Additional information indicated unidentified local employee(s) working for the U.S. Army, SDDC, GSO at the U.S. Embassy Kabul delayed the certification of the diplomatic notes in order to receive payments from the contractors who bring in cargo for the United States in order to "expedite" the tax-exemption process.

Approved consensual monitoring efforts produced recordings wherein Walizada agreed to help an undercover agent posing as a contractor to import products believed to originate in Iran. The undercover agent informed Walizada he intended to purchase Iranian materials, as they were much cheaper, and ship them from Iran. The U.S. Code of Federal Regulations prohibits the importation of products manufactured or shipped through Iran. Contractors for the U.S. military are forbidden to obtain or ship products through Iran even though they may realize a much larger profit by doing so.

On June 12, 2014, after obtaining the evidence against Walizada from the consensually monitored phone calls with the undercover agent, SIGAR and State OIG agents interviewed Walizada. Upon completion of the interview, they called in U.S. Embassy Kabul Human Resources, who, with the Regional Security Officer's assistance, terminated Walizada's employment and permanently removed him from the embassy.

\$575,000 Civil Settlement from SIGAR Investigation

An investigation was opened in May 2011, based upon a complaint alleging an American based company, Recon International, LLC, submitted inflated invoices and supplied construction material originating from Iran on an \$11.5 million dollar contract awarded by USACE. Investigative analysis failed to identify the exact gravel quantities or evidence of Iranian construction material delivered on the contract. The matter was declined criminally, however, Recon International agreed to pay the U.S. government \$575,000 to resolve the civil case.

SIGAR Instrumental in Completion of National Police Training Center

In May 2012, the Regional Contracting Center (RCC) Shank, FOB Shank, in Logar, Afghanistan, awarded Qesmatullah Nasrat Construction Company (QNCC) a \$455,000 contract to build a four-building adobe compound in Wardak, Afghanistan, which was to be part of the National Police Training Center. In February 2013, RCC Shank was notified that the building was falling apart.

When an inspection revealed the building was not constructed in accordance with the contract's statement of work, RCC Shank requested assistance from SIGAR. From February 2013 until as recently as March 2014, a SIGAR special agent worked with QNCC and RCC Shank (and eventually RCC Bagram, which took over the project after RCC Shank closed) to ensure QNCC completed the warranty work on the adobe compound to bring it up to the standards of the contract's statement of work. All warranty work was completed except for re-asphalting the roof. RCC Bagram recognized that SIGAR's efforts were instrumental in providing a viable, functional training center for the government of Afghanistan. An estimated value of the warranty work is \$400,000, as confirmed by RCC Bagram in April 2014.

Arrest of Afghan Contractor

On April 2, 2014, the ANP in Mazar-e-Sharif arrested Afghanistan Agricultural Enhancement Credit Program (ACE) employee Abdul Kahlil Qadery pursuant to an arrest warrant issued by the Afghan Attorney General's Office. Qadery's arrest was based on embezzlement charges stemming from the findings in a joint SIGAR/USAID-OIG investigation.

In 2010, ACE began operations with the primary purpose of helping the Afghan government establish and manage the Agricultural Development Fund (ADF), which was funded by a USAID grant to the Government of the Islamic Republic of Afghanistan. DAI, a USAID contractor based in Bethesda, Maryland, was the implementing partner of the ACE program. The grant monies within the ADF provide agricultural loans to Afghan small commercial farmers and Afghan agricultural businesses throughout the country. In August 2012, ACE hired Qadery, an Afghan national, to work as the ACE's credit administration accountant. Qadery's duties included taking the Afghanistan International Bank (AIB)'s "Fund Transfer Application Form" along with the copy of the ACE loan agreement between ACE and the approved loan applicant to the AIB branch in Kabul, so the approved Afghan loan recipient of the ACE's ADF fund could receive the loan amount from ACE via an AIB wire transfer.

In January 2013, ACE approved an ADF loan to an Afghan agricultural company for 28,560,000 afghanis (\$539,173 USD). After the ADF loan was approved in April 2013, ACE was to wire-transfer the money to the Afghan agricultural company via AIB. Instead, Qadery set up a fictitious company and caused ACE to wire the money to it. On the same day, Qadery withdrew the 28,560,000 afghanis from his fictitious company's account and became a fugitive until SIGAR and USAID-OIG located him in Mazar-e-Sharif. Pending trial, Qadery remains in custody at a correctional facility in Kabul.

Suspensions and Debarments

This quarter, SIGAR's suspension and debarment program referred 16 individuals and 39 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. Of these 55 contractors, 39 individuals and 12 companies were referred for debarment based on allegations that they engaged in fraud and non-performance as part of contracts valued at \$180,179,563. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 490, encompassing 248 individuals and 242 companies to date, as shown in Figure 2.2.

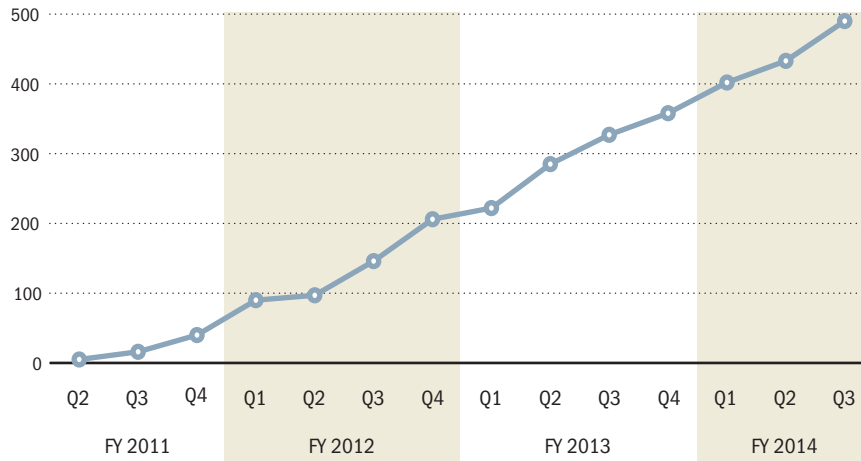
As of June 30, 2014, SIGAR's use of suspension and debarment to address fraud, corruption and poor performance in Afghanistan has resulted in 73 suspensions and 195 finalized debarments of individuals and companies engaged in U.S.-funded reconstruction projects. An additional seven individuals and companies have entered into administrative-compliance agreements with the government in lieu of exclusion from contracting.

Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities by excluding companies or individuals from receiving federal contracts or assistance because of misconduct. SIGAR's program addresses three challenges posed by U.S. policy and the contingency-contracting environment in Afghanistan: the

SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.2

SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q3 FY 2014



Source: SIGAR Investigations Directorate, 7/3/2014.

need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the government's responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States.

SIGAR makes referrals for suspensions and debarments based on completed investigations that SIGAR participates in. In most cases, SIGAR's referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and are therefore the primary remedy to address contractor misconduct. In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision by the agency as well as all the supporting documentation needed for an agency to support that decision should it be challenged by the contractor. Based on the evolving nature of the contracting environment in Afghanistan and the available evidence of contractor misconduct and/or poor performance, SIGAR has at times found it necessary to refer individuals or companies on multiple occasions for consideration by agency suspension and debarment officials.

SIGAR's increasing emphasis on suspension and debarment is illustrated by the fact that of the 490 referrals for suspension and debarment that have been made by the agency to date, 461 have been made since the second quarter of 2011. During the 12-month period prior to April 2014, the

efforts of SIGAR's suspension and debarment program resulted in actions by agency suspension and debarment officials to exclude 155 individuals and companies from contracting with the U.S. government. SIGAR's referrals over this period represent allegations of theft, fraud, poor performance, financial support to insurgents, and mismanagement as part of reconstruction contracts valued at \$728,846,004.

Debarment of 14 Companies and Individuals in Connection with the Failure to Complete the Construction of the Courthouse at the Justice Center in Parwan

During the previous quarter, the efforts of SIGAR's investigators and its suspension and debarment program resulted in debarment of CLC Construction Company, its owners Bradley Rhoden and Masiuddin Mohammed, as well as 11 affiliated companies and individuals based upon their failure to construct the Justice Center in Parwan (JCIP) courthouse at Bagram Airfield. Specifically, CLC, Rhoden, and Mohammed failed to provide adequate design drawings, evidencing an inability to properly manage a construction project of the magnitude of the JCIP courthouse. In addition, they failed to conduct fundamental tests necessary to ensure that the JCIP courthouse was structurally sound and that the concrete foundation and columns met the minimum standards set forth in the statement of work. This pattern of unsatisfactory performance by CLC, Rhoden, and Mohammed resulted in the government's decision to terminate the contract for default on October 3, 2013. In addition, SIGAR's investigation determined that during November 2012, CLC, Rhoden, and Mohammed engaged in a scheme to obtain and submit fraudulent documentation to the government in an effort to conceal their failure to perform a geotechnical investigation, concrete-and rebar-strength tests, and soil-compression tests required as part of the JCIP courthouse contract. Based on these facts, on June 12, 2014, the Army Suspension and Debarment official concurred with SIGAR's recommendation for debarment, resulting in the exclusion of all parties for a period of three years, ending on June 12, 2017.

Debarment of Four Former Soldiers Convicted of the Theft of 90 Truckloads of Fuel from FOB Fenty

On June 10 and 16, 2014, Christopher Weaver, Jonathan Hightower, Stephanie Charboneau, and Bilal Kevin Abdullah were debarred by the Department of the Army based upon criminal convictions for the theft of fuel from FOB Fenty between January and June of 2010. Specifically, Weaver, Hightower, Charboneau, and Abdullah, while deployed to Afghanistan, engaged in a scheme to request fuel trucks over and above those required for legitimate fuel transportation, created fraudulent documentation supporting fuel-transportation missions and facilitated

the departure of the trucks containing the stolen fuel from FOB Fenty in exchange for cash payments.

This scheme ultimately resulted in the theft of approximately 90 truckloads of fuel from FOB Fenty, valued in excess of \$1,575,000. Based on these facts, Weaver, Hightower, and Charboneau entered pleas of guilty to conspiracy and bribery in the U.S. District Court for the District of Colorado. Abdullah entered a plea of guilty to conspiracy and bribery in the U.S. District Court for the Western District of Kentucky. Subsequently, Weaver was sentenced to 37 months of confinement, Hightower was sentenced to 27 months' confinement, Charboneau was sentenced to 87 months of confinement, and Abdullah was sentenced to 12 months of confinement. All were ordered to jointly pay restitution of \$1,691,250 to the government. Based on these convictions, on June 10, 2014, Weaver was debarred for a period of 80 months, ending on November 28, 2019; Hightower was debarred for a period of 72 months, ending on January 28, 2019, and Charboneau was debarred for a period of 120 months, ending on May 3, 2024. On June 16, 2014, Abdullah was debarred for a period of 46 months, ending on March 13, 2018. The periods of debarment include the time that each was previously suspended from contracting with the government and take into account their respective periods of confinement.

Debarment of Construction Contractor and Nine Individuals for False Claims and Statements at Kandahar Airfield

On June 5, 2014, Clark Logistic Services Company, as well as its two owners and seven other employees, were debarred by the Army based on allegations of false claims and statements made regarding contracts for electrical work on airfield lighting at Kandahar Airfield in Afghanistan. As a result of SIGAR's investigation, Clark Logistic Services Company's owners admitted that they had fraudulently claimed that they had employed a U.S. citizen, certified as a master electrician, when, in fact, the company subcontracted the work to an Afghan subcontractor or used third-country nationals instead of properly certified electricians. In addition, Clark Logistic Services Company failed to comply with regulations concerning personnel accountability and badging, non-tactical vehicles registration, and environmental- and ground-safety procedures, among other violations, resulting in the company's removal from Kandahar Airfield by the ISAF installation commander on July 30, 2013. Based on SIGAR's investigation and referral for debarment, all parties have been excluded from contracting with the government for a period of four years and five months, ending on November 14, 2018.

Debarment of Afghan Contractors for Bribery of Provincial Reconstruction Team Members and Poor Construction of Two Collapsed Bridges in Kunar Province

On June 5, 2014, Rainbow Construction Company, the Abdul Haq Foundation, Hassan Sardar, and Wadir Abdullahmatin Mullakhiel were debarred by the Army based on offers to pay bribes in exchange for the award of contracts by the Kunar Provincial Reconstruction Team (PRT) in October and November 2009. Specifically, Sardar, one of the company's owners, offered payments of cash, diamonds, and other items valued at approximately \$627,000 in exchange for the award of three contracts for the construction of bridges at Ziyaribaba and Pashad and an upgrade to the road between Asmar and Nishigam, all located in Kunar Province and valued at approximately \$8,000,000.

Subsequent investigation by SIGAR determined that both bridges collapsed in 2010 due to the use of inferior materials and poor design by the Abdul Haq Foundation in its performance of the contracts. In addition, as a result of the investigation SIGAR, the FBI, and the DCIS conducted into the offers of payment by Sardar, Captain Sidharth Handa, a former member of the Kunar PRT, was subsequently arrested in Arlington, Virginia, on charges of bribery and conspiracy to distribute heroin when he attempted to collect a \$500,000 payment as part of this scheme.

On September 24, 2011, Handa pled guilty to both counts of the criminal information and was sentenced to 120 months of confinement and a \$315,000 restitution. Rainbow Construction Company, the Abdul Haq Foundation, Sardar, and Mullakhiel were all debarred for a period of five years, ending on September 29, 2018. Handa was previously debarred on July 27, 2012, for a period of 12 years and three months, ending on September 21, 2024. The periods of debarment include the time that each was previously suspended from contracting with the government and Handa's period of confinement.

Referral for Debarment of Lakeshore Toltest Corporation

On May 2, 2014, six of the companies that make up Lakeshore Toltest Corporation, a Chicago, Illinois, construction contractor, filed for Chapter 7 bankruptcy in the state of Delaware. SIGAR has recommended that the U.S. Army suspend and debar the remaining 26 companies, subsidiaries, and joint ventures belonging to Lakeshore Toltest.

Prior to its bankruptcy, Lakeshore Toltest had been actively engaged in obtaining construction contracts in Afghanistan since May 2009. At that time, the company received multiple contracts valued at \$78,824,694 from the Army and Air Force to construct the Afghan National Defense University, the Joint Services Academy, the Legal Branch School, and the Religious and Cultural Affairs School for the ANA. Lakeshore Toltest also received contracts for the construction of the ANA Headquarters in

Laghman Province, as well as ANA facilities in Ghazni, Khas Kunar, and other locations. The company maintained 40 office locations in 12 countries throughout the world through its network of 32 affiliated companies, subsidiaries, and joint ventures, with approximately \$537.5 million in revenues from both domestic and overseas contracts during 2012.

SIGAR opened an investigation into Lakeshore Toltest after receiving 15 complaints from the company's subcontractors in the last 18 months claiming that it failed to pay for goods and services totaling approximately \$50,894,436. SIGAR also learned that following its filing for bankruptcy, the company took no steps to properly demobilize its operations in Afghanistan or make an effort to ensure that its employees were repatriated back to the United States, effectively abandoning them at their deployed locations. Based on these allegations, SIGAR referred Lakeshore Toltest and all of its affiliates for debarment to prevent further loss to the U.S. government in Afghanistan and other locations where the Lakeshore Toltest operates across the world.

OTHER SIGAR OVERSIGHT ACTIVITIES THIS QUARTER

SIGAR Speaks about Lessons Learned Before Middle East Institute and at Conference

In this reporting period, Special Inspector General Sopko spoke at the Middle East Institute and at the Effective Development in Conflict Zones Conference about lessons learned from the reconstruction effort in Afghanistan. At the Effective Development in Conflict Zones Conference, Sopko was the keynote speaker, and Deputy Inspector General Gene Aloise spoke on a panel about linking research and policy on fragile and conflict-affected environments.

Sopko told attendees at both events that the mission in Afghanistan is far from over, despite the drawdown of U.S. and Coalition forces. In fact, almost \$18 billion has been appropriated but not yet spent for reconstruction efforts, and another \$6 to \$10 billion will likely be promised annually for years to come, making Afghanistan still very relevant to every U.S. taxpayer and policy maker.

Of many lessons gleaned over the 12-year reconstruction effort, Sopko highlighted four that are particularly relevant during this year of transition:

1. One must consider a country's ability to sustain the assistance we provide.
2. Reconstruction in a conflict zone is inherently risky. That risk must be properly mitigated, largely through aggressive management and oversight.
3. All reconstruction efforts must have clearly articulated goals and a sound way to measure their progress toward those goals.

4. One must consider how to ensure a country's long-term economic self-sufficiency so that it does not remain dependent on foreign assistance.

The Inspector General went on to explain each lesson, providing examples from SIGAR's work of what can go wrong when taxpayer funds are not used judiciously and programs are not planned, executed, and monitored properly. These anecdotes from the work of SIGAR and other oversight agencies clearly show that the U.S. government can and should do a better job.

Sopko repeated SIGAR's frequent warning that time and resources in Afghanistan are becoming scarcer, and that reconstruction programs must do the most good possible to ensure meaningful and long-lasting benefits for the people of Afghanistan and U.S. interests abroad. Furthermore, it is essential that these lessons be heeded not just in Afghan reconstruction efforts, but in future efforts as well, in order to provide more robust stewardship of U.S. funds.

SIGAR and USIP Issue Symposium Report

In February, SIGAR convened an international symposium, in conjunction with the United States Institute of Peace (USIP), on "Monitoring and Management in Insecure Environments: Applying Best Practices to Afghanistan." The symposium was convened as a means for U.S. government agencies, international donors, think tanks, and others to discuss best practices, techniques, and technologies for conducting effective project management and oversight in insecure environments.

This quarter, SIGAR and USIP issued a report on applying best practices for monitoring and management in insecure environments to Afghanistan. The report also summarizes the symposium discussion and offers observations of attendees. The symposium discussion covered topics including the new challenges transition poses to reconstruction, lessons learned about management and monitoring, and recommendations going forward.

SIGAR's Work Leads to Special Provisions in FY 2015 Legislation

Senate Armed Services Committee Bases Provision on SIGAR Oversight Access Maps

Based on issues raised by SIGAR's oversight-access maps, highlighted in the October 2013 *Quarterly Report to Congress*, the Senate Armed Services Committee included Section 1226 in the FY 2015 National Defense Authorization Act (NDAA). Section 1226 prohibits DOD from obligating or expending FY 2015 funding for reconstruction and infrastructure projects in Afghanistan if military or civilian personnel of the United States

government responsible for conducting oversight of the program or project cannot safely access it. The section allows DOD to waive this restriction if it determines that the program or project clearly contributes to U.S. national interests or strategic objectives; that the government of Afghanistan has requested or expressed a need for the program or project; that the program or project has been coordinated with the government of Afghanistan and with any other implementing agencies or international donors; that security conditions permit effective implementation and oversight of the program or project; that the program or project includes safeguards to detect, deter, and mitigate corruption and waste, fraud, and abuse; that adequate arrangements have been made for the sustainment of the program or project following its completion, including arrangements with respect to funding and technical capacity for sustainment; and that meaningful metrics have been established to measure the progress and effectiveness of the program or project. This legislation was pending consideration by the full Senate at the time this report went to press.

House Armed Services Committee Includes Several Provisions in NDAA Based on SIGAR's Work

The House Armed Services Committee included several provisions in the House version of the FY 2015 NDAA that were based on SIGAR's work. The bill, passed by the House in May 2014, includes the following requirements:

- Section 312 requires that combatant commanders certify biannually that covered waste is not disposed of in open-air burn pits under their jurisdiction in violation of the policy in section 317 of the FY 2010 NDAA. This provision is based on SIGAR's ongoing and completed inspection concerning the use of open-air burn pits and solid-waste incinerators at U.S. military facilities in Afghanistan.
- Section 1220B prohibits DOD from obligating or expending FY 2015 funds for a construction project in Afghanistan in excess of \$500,000 that cannot be audited and physically inspected by authorized U.S. government civilian personnel or their designated representatives, in accordance with generally accepted auditing guidelines. The section further provides that DOD may waive this restriction if it submits a plan to Congress that outlines how it will monitor the use of funds to ensure they are used as intended and to mitigate fraud, waste, and abuse. This section is based on SIGAR's reporting on U.S.-funded infrastructure projects in Afghanistan, as well as the agency's work highlighting oversight-access challenges in Afghanistan.

Furthermore, in its committee report for the FY 2015 NDAA, the House Armed Services Committee directs the Under Secretary of Defense for Acquisition, Technology, and Logistics to provide a briefing for the House Committee on Armed Services not later than March 2, 2015, on the lessons

learned related to waste-disposal methods in contingency operations, and to provide an update on the Department's assessment of waste-disposal technologies, to include those that would provide an efficient, reliable, and deployable capability that adheres to electrical and construction standards that ensure life, safety, and health of U.S. personnel. This is another example of the impact of SIGAR's ongoing and completed inspection work on solid-waste incinerators.

The committee report for the House version of the FY 2015 NDAA also directs the Inspector General of DOD to conduct a comprehensive assessment of the financial-management capacity and risks within the Afghan Ministries of Defense and Interior. "The committee believes that an assessment of the financial management capacity of the Afghan MOD and MOI will improve the protection of U.S. direct assistance to Afghanistan to fund and equip the ANSF and to ensure the assistance is used as intended," the report says. It further directs the Inspector General to assess the capacity and risks within the Afghan Ministry of Finance, to the extent that such an assessment is required to protect Department funds and would not duplicate efforts conducted by other agencies of the U.S. government. The report also requires the Inspector General to provide a report on the results of the assessments to the House and Senate Armed Services Committees by December 31, 2014. The report language was based on SIGAR's Special Project report (SP-14-12) regarding on-budget assistance funds provided to the MOI and MOD.

Senate Appropriations Committee Includes Provision in FY 2015 Defense Appropriations Act Based on SIGAR's C-130 Alert Letter

The Senate-version of the FY 2015 Defense Appropriations Act, as reported by the full Senate Appropriations Committee on July 17, prohibits DOD from using FY 2015 funds for the transfer of additional C-130 cargo aircraft to the ANSF or the AAF until it provides a review to the congressional defense committees of the AAF's medium-airlift requirements. The provision states further that such a review should identify the AAF's ability to utilize and maintain existing medium-lift aircraft in the inventory and the best alternative platform, if necessary, to provide additional support to the AAF's current medium-airlift capacity. This provision was written in response to a SIGAR audit alert letter that raised concern about providing additional C-130 aircraft to the AAF. SIGAR suggested in the alert letter that DOD, pending a review of the AAF's medium-airlift requirements, delay delivery of additional C-130s. The alert letter also said if DOD's review indicates that additional C-130s are unnecessary, it should not provide them.

Defense Appropriations Act for FY 2015 Includes Provision Based on SIGAR Special Project

Section 10015 of the House version of the Defense Appropriations Act for FY 2015, as passed by the House on June 20, 2014, prohibits DOD from using FY 2015 funding to store patrol boats purchased for the ANP. This provision is based on SIGAR's Special Project inquiry letters to the Department of Navy and CSTC-A. For more information on those letters, see pages 44–47 of this section.

SIGAR BUDGET

SIGAR received a budget of \$49.65 million for FY 2014 in the Consolidated Appropriations Act from Congress. The budget supports SIGAR's oversight activities and products by funding SIGAR's five directorates: (1) Audits and Inspections, (2) Special Projects, (3) Investigations, (4) Management and Support, and (5) Research and Analysis.

SIGAR STAFF

SIGAR's total staffing at the time of this report is 198 federal employees. At the end of the quarter, SIGAR had 31 personnel at the U.S. Embassy Kabul and eight employees at other locations in Afghanistan outside the U.S. Embassy: Kandahar Airfield, Bagram Airfield, and Mazar-e-Sharif. SIGAR employed two local Afghans in its Kabul office to support investigations and audits. In addition, SIGAR supports its work with stateside staff assigned to short-term temporary duty in Afghanistan.

This quarter, SIGAR had 24 employees on temporary duty in Afghanistan for a total of 416 days. This is an increase from the last reporting period, when 14 employees were on temporary duty for 252 days.

“The Afghan people have an opportunity now to build on the progress that’s been made, to achieve a more secure, more prosperous, and more peaceful future. President Obama has made it clear that as they do, the United States will stand with them.”

—*U.S. Secretary of State John Kerry*

3 RECONSTRUCTION UPDATE



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Photo on previous page

Secretary of State Kerry stands with Afghan presidential candidates Ghani, center, and Abdullah, right, after announcing a plan to resolve the disputed outcome of their runoff election. (State Department photo)

RECONSTRUCTION UPDATE

OVERVIEW

The following section summarizes the status of U.S. funding and describes developments SIGAR observed this quarter in the security, governance, and economic and social sectors of the reconstruction effort in Afghanistan.

The Consolidated Appropriations Act of 2014 provided an additional \$7.5 billion for Afghanistan relief and reconstruction for fiscal year (FY) 2014, bringing the cumulative total appropriated since FY 2002 to approximately \$104.1 billion. On June 26, 2014, President Obama submitted his updated FY 2015 overseas contingency operations (OCO) budget request for the Departments of Defense and State to Congress. The addition of the updated OCO request brings the total amount requested for the seven major reconstruction funds for FY 2015 to \$5.8 billion—a 9% decrease from the amount appropriated these funds for FY 2014.

DOD requested \$4.11 billion for the FY 2015 Afghanistan Security Forces Fund (ASFF). The majority of the funding is to sustain the 195,000-strong Afghan National Army, the 157,000-strong Afghan National Police (ANP), and 30,000 Afghan Local Police. The request provides funding for Coalition advisors to focus on Afghan National Security Forces (ANSF) capability gaps and improving logistics, medical, and counter-improvised-explosive-device systems; and to purchase light air-support and basic-training aircraft for the Afghan Air Force.

DOD is no longer requesting funds for the Afghanistan Infrastructure Fund (AIF), and amounts requested for the Task Force for Business and Stability Operations (TFBSO) and the Commander's Emergency Response Program (CERP) have been substantially reduced. The AIF was created in FY 2011 to pay for high-priority, large-scale infrastructure projects. DOD and State have experienced challenges executing such large infrastructure projects. Less than 21% of AIF funds, \$274 million of the \$1.3 billion appropriated, have been disbursed since the fund's inception, as shown in Table 3.0. To date, most of the funds disbursed paid for diesel fuel for the generators used to power Kandahar City.

During this reporting period, Afghanistan held a runoff election for president on June 14, 2014, between Abdullah Abdullah and Ashraf Ghani. Unlike the first round, in which the leading presidential candidates largely

TABLE 3.0

AIF CUMULATIVE AMOUNT APPROPRIATED AND DISBURSED (\$ MILLIONS)		
	Appropriated	Disbursed
DOD	\$1,223	\$274
USAID	101	0
Total	\$1,324	\$274
Remaining to be disbursed		\$973

Notes: Numbers have been rounded. \$101 million of FY 2011 AIF was transferred to USAID's Economic Support Fund to execute an AIF project. Amount remaining excludes \$77 million that expired before being obligated.

Sources: DOD, responses to SIGAR data call, 7/22/2014, 7/18/2014 and 7/17/2014; USAID, response to SIGAR data call, 7/10/2014. DFAS, response to SIGAR data call, 7/17/2014; P.L. 113-76, 1/17/2014.

accepted the results, the Abdullah campaign contested the voter turnout estimates and accused the Afghan elections bodies of massive fraud. On July 7, the Independent Election Commission (IEC) announced that preliminary results showed Ghani with 56.4% and Abdullah with 43.6% of the vote. According to the IEC, some 8.1 million votes were cast—over one million more than the seven million originally estimated and an increase of approximately 1.5 million votes over the number of validated votes from the first round. On July 12, Secretary of State John Kerry, along with candidates Abdullah and Ghani, announced the terms of an agreement to resolve the dispute between the two campaigns. These include an audit of each ballot cast in the runoff and an agreement between the candidates to form a government of national unity once the winner is declared.

On May 27, 2014, President Obama announced that the United States will end its combat mission in Afghanistan in 2014. By the beginning of 2015, the U.S. troop strength will reduce from approximately 32,000 to approximately 9,800, with further reductions in 2015.

NATO Secretary General Anders Fogh Rasmussen warned that Afghan failure to sign the negotiated Bilateral Security Agreement (BSA) by the end of September would cause serious problems for the Coalition and put Afghanistan's future security arrangements in jeopardy. Although both presidential candidates have said they will sign the BSA, it remains on hold until the election dispute is resolved.

In June, the United Nations Secretary-General reported an increasing volatile security situation in Afghanistan, with the first quarter of 2014 having the second-highest level of violence since the fall of the Taliban. In a worrying sign of spreading conflict, he added, ground combat is causing more deaths and injuries than improvised explosive devices. The United Nations Assistance Mission in Afghanistan (UNAMA) observed a direct correlation between International Security Assistance Force (ISAF) base closures and the rise in civilian casualties.

DOD described the Afghan force emerging from the 2013 fighting season as competent and confident. Assessments of the ANSF were mostly positive this quarter, while recognizing that capability gaps remain. The ANSF have held against the insurgency and successfully secured both the presidential and provincial-council elections of April 5, 2014, and the runoff elections on June 14, 2014.

Also this quarter, USAID said there will be no new reviews of Tokyo Mutual Accountability Framework (TMAF) intermediate targets for Afghan progress. According to the United Nations Secretary General, the TMAF serves as the agreed instrument of civilian development assistance to Afghanistan. The United States and international partners are developing a new set of targets for the future implementation of TMAF that will be discussed with the new post-election government. According to USAID, the process of finalizing these new targets will likely continue through the

international conference on Afghanistan tentatively planned for November in London and into early 2015.

Afghanistan enacted Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) laws, allowing it to narrowly avoid being blacklisted by the Financial Action Task Force (FATF), an intergovernmental policy-making body that sets standards and promotes effective measures against threats to the integrity of the international financial system. FATF will evaluate compliance standards and implementation of Afghanistan's AML/CFT laws during its next plenary in October 2014. A downgrade determination could damage Afghanistan's banking relationships around the world.

Meanwhile, in the first four months of Afghan FY 1393 (December 21, 2013–December 20, 2014), domestic revenues missed Ministry of Finance budget targets by 20%, with non-tax and customs revenues also falling short of amounts collected for the same period last year. Afghanistan's fiscal sustainability ratio—domestic revenues versus operating expenses—declined to approximately 57% in the first four months of FY 1393, compared to 60% and 65% in the previous two fiscal years. Afghan government expenditures are expected to continue rising, which will require continued donor financing and improved domestic-revenue mobilization, according to the World Bank.

The latest United Nations Office of Drugs and Crime (UNODC) World Drug Report notes that for the third consecutive year, Afghanistan, already the world's largest producer and cultivator of opium poppies, saw an increase in the area under cultivation (from 154,000 hectares in 2012 to 209,000 hectares in 2013)—a 36% increase.

The United States provides on-budget assistance to Afghanistan through direct payments to Afghan government entities and through contributions to multinational trust funds. Since 2002 the United States has provided nearly \$7.5 billion in on-budget assistance. This includes about \$4 billion to Afghan government ministries and institutions, and more than \$3.5 billion to three multinational trust funds—the World Bank's Afghan Reconstruction Trust Fund (ARTF), the United Nations Development Plan's Law and Order Trust Fund for Afghanistan (LOTFA), and the Asian Development Bank's Afghanistan Infrastructure Trust Fund (AITF). Table 3.1 shows U.S. on-budget assistance to Afghan government entities.

TABLE 3.1

U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
Government-To-Government	
DOD	\$2,905
State	92
USAID	986
Multilateral Trust Funds	
LOTFA	\$1,369
ARTF	2,039
AITF	105

Notes: Government-To-Government figures reflect amounts the United States has committed in direct or bilateral assistance, commitments to Multilateral Trust Funds constitute the other form of on-budget assistance. Multilateral Trust Funds figures reflect amounts the United States has paid in to each trust fund.

Sources: SIGAR, Audit Report 14-32-AR: *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries' Ability to Manage Donor Funds, but Weaknesses Remain*, 1/2014; SIGAR, Special Project Report 14-12-SP; *Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of Over \$4 Billion in Direct Assistance Funding*, 12/2013; USAID, response to SIGAR data call, 7/10/2014; World Bank, "ARTF: Administrator's Report on Financial Status as of June 21, 2014 (end of 6th month of FY 1393)," p. 5; UNDP "Law and Order Trust Fund for Afghanistan (LOTFA) 2014 First Quarter Project Progress Report," 6/9/2014, p. 28; SIGAR analysis of UNDP's Quarterly and Annual LOTFA reports, 7/16/2014.

RECONSTRUCTION UPDATE

DOD	ASFF: Afghanistan Security Forces Fund
	CERP: Commander's Emergency Response Program
	AIF: Afghanistan Infrastructure Fund
	TFBSO: Task Force for Business and Stability Operations
	DOD CN: DOD Drug Interdiction and Counter-Drug Activities
USAID	ESF: Economic Support Fund
State	INCLE: International Narcotics Control and Law Enforcement

FUNDING FOR AFGHANISTAN RECONSTRUCTION

Since 2002, Congress has appropriated over \$104.1 billion for Afghanistan relief and reconstruction. Of this amount, \$87.9 billion (84%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

As of June, 30, 2014, approximately \$15.9 billion of appropriated funds remained for possible disbursement, as shown in Figure 3.1. These funds will be used to complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; train, equip, and sustain the ANSF; combat narcotics production and trafficking; and, advance the rule of law, strengthen the justice sector, and promote human rights. Most of the funding in the pipeline has yet to be obligated. Only \$5.6 billion of the \$15.9 billion remaining has been obligated.

TABLE 3.2

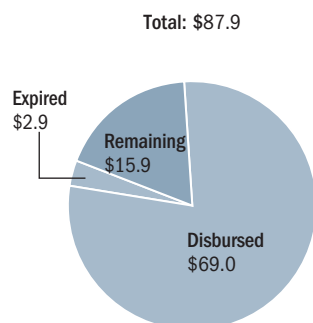
CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2014 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$57.33	\$50.03	\$48.23	\$8.10
CERP	3.67	2.28	2.26	0.05
AIF	1.22	0.70	0.27	0.87
TFBSO	0.81	0.74	0.58	0.19
DOD CN	2.93	2.61	2.61	0.32
ESF	17.53	14.69	12.09	5.06
INCLE	4.41	3.56	3.00	1.35
Total 7 Major Funds	\$87.90	\$74.61	\$69.04	\$15.95
Other Reconstruction Funds	7.29			
Civilian Operations	8.91			
Total	\$104.10			

Notes: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$2.9 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/20/2014.

FIGURE 3.1

CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)



The President's FY 2015 budget request, if appropriated, would add another \$5.8 billion for the seven major reconstruction funds. Amounts requested for four of these funds—ASFF, DOD CN, ESF, and INCLE—account for over 99% of the FY 2015 request. Only \$20 million was requested for CERP and TFBSO combined. No additional funding was requested for the AIF. SIGAR's audit of the AIF, issued in July 2012, raised concerns that most AIF projects were 6–15 months behind schedule, potentially limiting the projects' counterinsurgency benefits and necessitating continued funding of \$80–100 million a year for diesel fuel to power Kandahar City. More than \$973 million of the \$1.3 billion appropriated the AIF since FY 2011 remains to be disbursed when the amount transferred to the ESF for USAID's infrastructure project is included.

RECONSTRUCTION UPDATE

Congress appropriated more than \$8.1 billion to the seven major reconstruction funds for FY 2013. Of that amount, more than \$4.4 billion remained for possible disbursement, as of June 30, 2014, as shown in Table 3.3 and Figure 3.2.

TABLE 3.3

FY 2013 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$4,946	\$3,350	\$3,056	\$1,890
CERP	200	42	34	8
AIF	325	80	28	297
TFBSO	138	136	101	37
DOD CN	296	296	296	0
ESF	1,623	15	0	1,623
INCLE	594	27	18	576
Total 7 Major Funds	\$8,122	\$3,946	\$3,533	\$4,431

Notes: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$158 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/20/2014.

Congress appropriated nearly \$6.5 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than \$6.4 billion remained for possible disbursement, as of June 30, 2014, as shown in Table 3.4 and Figure 3.3.

TABLE 3.4

FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$4,727	\$24	\$0	\$4,727
CERP	30	2	0	30
AIF	199	0	0	199
TFBSO	117	82	25	92
DOD CN	321	1	1	320
ESF	852	0	0	852
INCLE	225	0	0	225
Total 7 Major Funds	\$6,470	\$108	\$26	\$6,444

Notes: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/20/2014.

FIGURE 3.2

FY 2013 AMOUNT REMAINING TO BE DISBURSED (\$ MILLIONS)

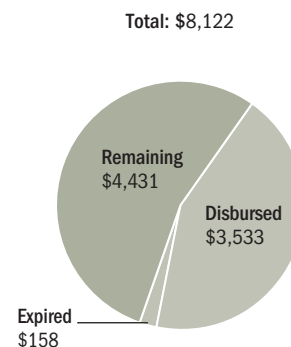
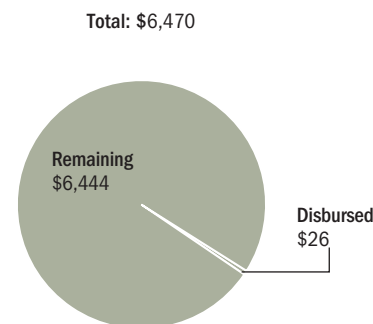


FIGURE 3.3

FY 2014 AMOUNT REMAINING TO BE DISBURSED (\$ MILLIONS)



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STATUS OF FUNDS

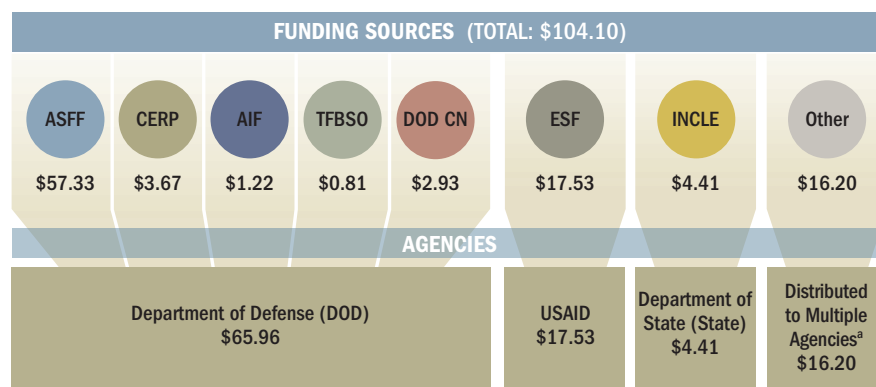
To fulfill SIGAR's legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of June 30, 2014, the United States had appropriated approximately \$104.10 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$61.77 billion for security (including \$4.25 billion for counternarcotics initiatives)
- \$30.59 billion for governance and development (including \$3.38 billion for counternarcotics initiatives)
- \$2.84 billion for humanitarian aid
- \$8.91 billion for civilian operations

Figure 3.4 shows the major U.S. funds that contribute to these efforts.

FIGURE 3.4

U.S. FUNDS SUPPORTING AFGHANISTAN RECONSTRUCTION EFFORTS (\$ BILLIONS)



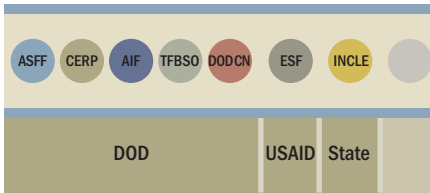
Notes: Numbers have been rounded.

^a Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, BBG, and SIGAR.

Source: DOD, responses to SIGAR data call, 7/18/2014, 7/17/2014, 7/8/2014, 7/3/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 7/16/2014, 7/3/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/10/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 7/10/2014, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; CRS, response to SIGAR data call, 1/8/2014; DFAS, response to SIGAR data call, 7/17/2014; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

ASFF: Afghanistan Security Forces Fund
CERP: Commander's Emergency Response Program
AIF: Afghanistan Infrastructure Fund
TFBSO: Task Force for Business and Stability Operations
DOD CN: DOD Drug Interdiction and Counter-Drug Activities
ESF: Economic Support Fund
INCLE: International Narcotics Control and Law Enforcement
Other: Other Funding

STATUS OF FUNDS



The amount provided to the seven major U.S. funds represents over 84.4% (more than \$87.90 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 84.9% (nearly \$74.61 billion) has been obligated, and over 78.5% (more than \$69.04 billion) has been disbursed. An estimated \$2.91 billion of the amount appropriated these funds has expired.

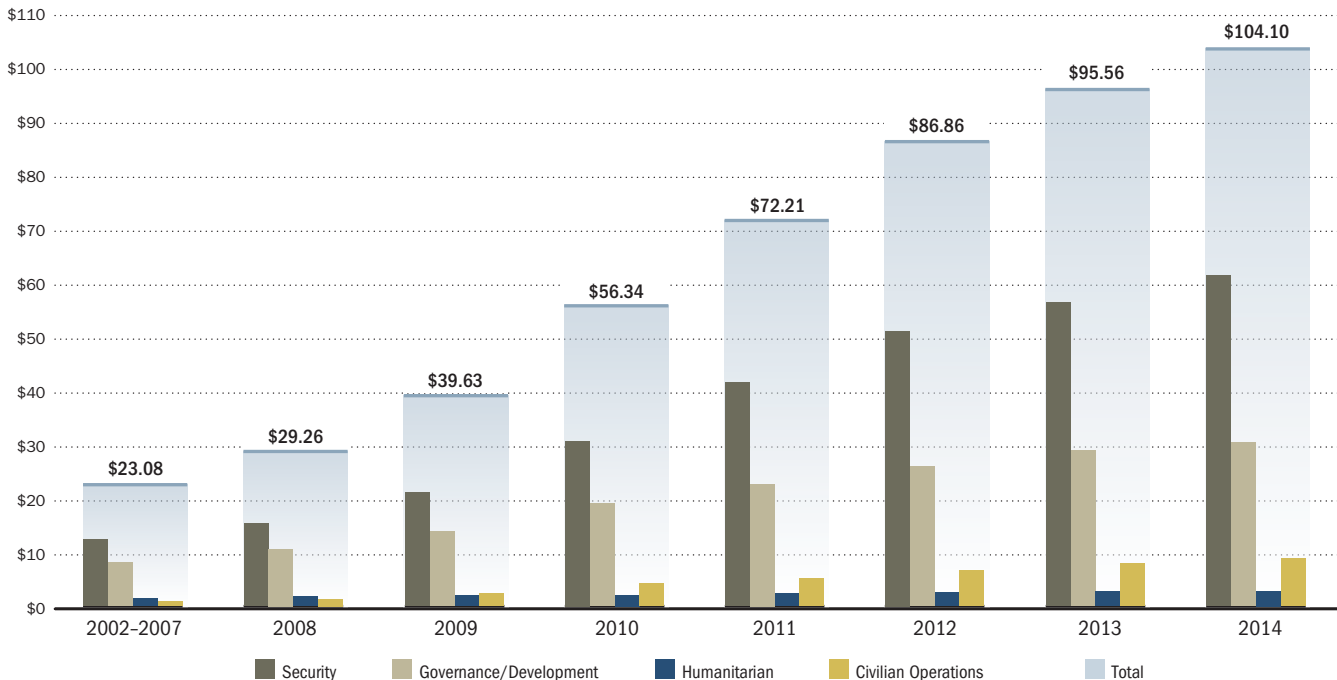
U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of June 30, 2014, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$104.10 billion, as shown in Figure 3.5. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and civilian operations. Approximately \$7.62 billion of these funds support counter-narcotics initiatives which crosscut both the security (\$4.24 billion) and governance-and-development (\$3.38 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

The Consolidated Appropriations Act, 2014, provided an additional \$7.55 billion for FY 2014, as shown in Figure 3.6. Of this amount, nearly \$4.73 billion was appropriated to the Afghanistan Security Forces Fund (ASFF), bringing cumulative funding for the ASFF to nearly \$57.33 billion,

FIGURE 3.5

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF JUNE 30, 2014 (\$ BILLIONS)



Notes: Numbers have been rounded. Updated data for State and USAID Civilian Operations accounts resulted in a higher appropriation figure for FY 2014 than reported last quarter. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD reprogrammed \$178 million from FY 2013 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

Source: DOD, responses to SIGAR data call, 7/18/2014, 7/17/2014, 7/8/2014, 7/3/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 7/16/2014, 7/3/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/10/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 7/10/2014, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; CRS, response to SIGAR data call, 1/8/2014; DFAS, response to SIGAR data call, 7/17/2014; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

STATUS OF FUNDS

approximately 55% of all reconstruction funding.⁵⁶ The ASFF supports the development, operations, and sustainment of the Afghanistan National Security Forces.⁵⁷

On June 26, 2014, the President submitted his updated FY 2015 overseas contingency operations budget request to Congress for DOD and State.⁵⁸ The \$5.83 billion requested for the seven major reconstruction funds for FY 2015 is approximately 9% lower than the amount appropriated these funds for FY 2014. DOD is not requesting funds for the Afghanistan Infrastructure Fund for FY 2015 and is requesting only \$5 million for the Task Force for Business and Stability Operations—a 92% decrease from the \$63.8 million appropriated to the task force for FY 2014, as shown in Table 3.5. As reported in prior quarters, a significant amount of reconstruction funding is still in the pipeline. Approximately \$15.95 billion remains for potential disbursement. For more information about the reconstruction funding pipeline, see pages 70–71.

TABLE 3.5

FY 2014 APPROPRIATIONS COMPARED TO THE FY 2015 BUDGET REQUEST (\$ MILLIONS)

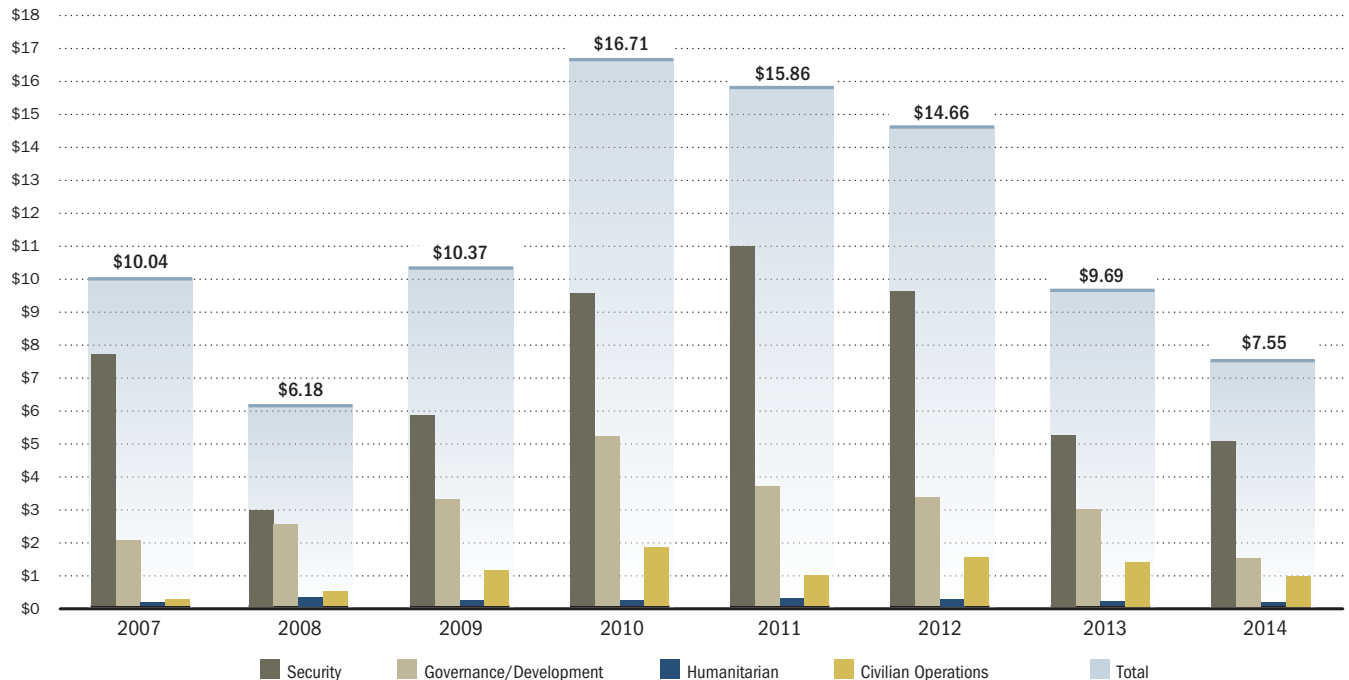
	FY 2014	FY 2015 Req
ASFF	\$4,726	\$4,109
CERP	30	15
AIF	199	0
TFBSO	64	5
DOD CN	321	148
ESF	852	1,225
INCLE	225	325
TOTAL	\$6,417	\$5,827

Notes: Numbers have been rounded. TFBSO amount excludes funding from the Operations and Maintenance, Army, account used for the task force's operational costs.

Sources: OMB, "Amendments to the President's Fiscal Year (FY) 2015 Overseas Contingency Operations (OCO) Request for the Department of Defense (DOD) and the Department of State and Other International Programs (State/OIP)," 6/26/2014; State, response to SIGAR data call, 4/15/2014, OMB, request to SIGAR data call, 7/16/2014.

FIGURE 3.6

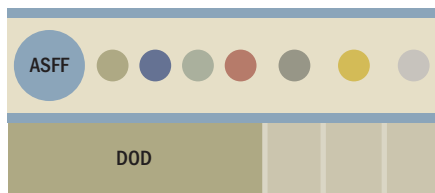
APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY (\$ BILLIONS)



Notes: Numbers have been rounded. Updated data for State and USAID Civilian Operations accounts resulted in a higher appropriation figure for FY 2014 than reported last quarter. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD reprogrammed \$178 million from FY 2013 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

Source: DOD, responses to SIGAR data call, 7/18/2014, 7/17/2014, 7/8/2014, 7/3/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 7/16/2014, 7/3/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/10/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 7/10/2014, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; CRS, response to SIGAR data call, 1/8/2014; DFAS, response to SIGAR data call, 7/17/2014; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

STATUS OF FUNDS



ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.⁵⁹

The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan.⁶⁰ A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.⁶¹

The Consolidated Appropriations Act, 2014, appropriated nearly \$4.73 billion for the ASFF for FY 2014, increasing total cumulative funding to nearly \$57.33 billion.⁶² As of June 30, 2014, nearly \$50.03 billion of total ASFF funding had been obligated, of which nearly \$48.23 billion had been disbursed.⁶³ Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by nearly \$1.11 billion over the quarter, and cumulative disbursements increased by nearly \$1.58 billion.⁶⁴ Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR
(\$ BILLIONS)

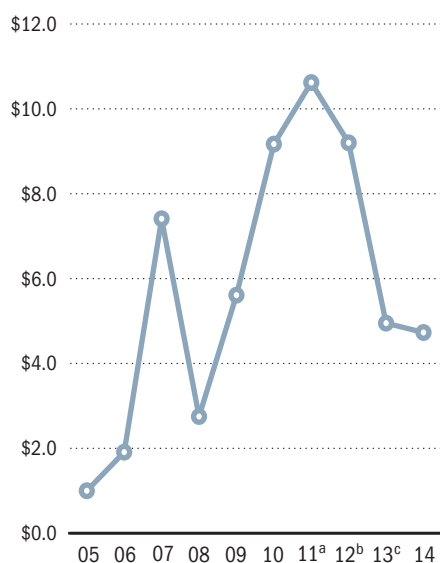
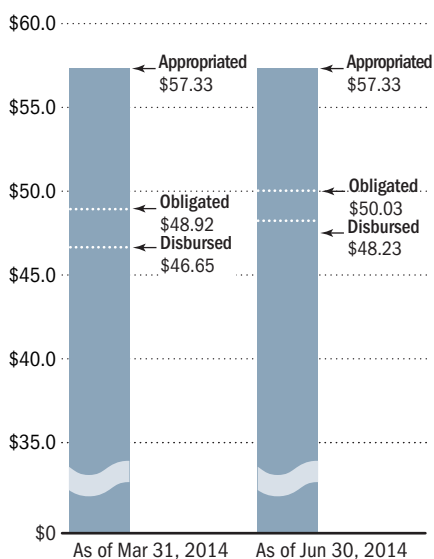


FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. Updated data resulted in a lower appropriation figure for FY 2013.

^a DOD reprogrammed \$1 billion of FY 2011 ASFF.

^b DOD reprogrammed \$1 billion of FY 2012 ASFF; another \$1 billion was rescinded in P.L. 113-6.

^c DOD reprogrammed \$178 million of FY 2013 ASFF.

Sources: DOD, responses to SIGAR data call, 7/17/2014 and 4/15/2014; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013.

STATUS OF FUNDS

ASFF BUDGET ACTIVITIES

DOD allocates funds to three budget activity groups within the ASFF:

- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each **budget activity group** are further allocated to four **sub-activity groups**: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.⁶⁵ The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any non-standard equipment requirement in excess of \$100 million.⁶⁶

As of June 30, 2014, DOD had disbursed nearly \$48.23 billion for ANSF initiatives. Of this amount, nearly \$31.93 billion was disbursed for the ANA, and nearly \$15.94 billion was disbursed for the ANP; the remaining more than \$358.91 million was directed to related activities.⁶⁷

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—more than \$12.26 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—more than \$5.96 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.⁶⁸

Budget Activity Groups: categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

Subactivity Groups: accounting groups that break down the command's disbursements into functional areas

Sources: DOD, "Manual 7110.1-M Department of Defense Budget Guidance Manual," accessed 9/28/2009; Department of the Navy, "Medical Facility Manager Handbook," p. 5, accessed 10/2/2009.

FIGURE 3.9

ASFF DISBURSEMENTS FOR THE ANA
BY SUBACTIVITY GROUP,
FY 2005–JUNE 30, 2014 (\$ BILLIONS)

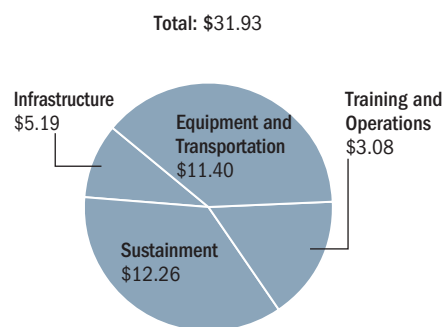
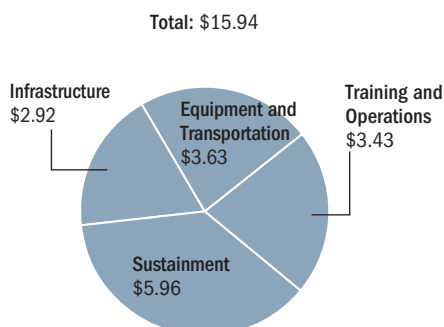


FIGURE 3.10

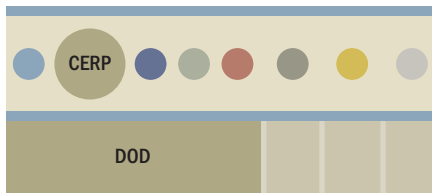
ASFF DISBURSEMENTS FOR THE ANP
BY SUBACTIVITY GROUP,
FY 2005–JUNE 30, 2014 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 7/17/2014.

STATUS OF FUNDS



CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/14/2010.

COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.⁶⁹ Projects with cost estimates exceeding \$1 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over \$5 million require approval from the AROC. CERP-funded projects may not exceed \$20 million.⁷⁰

The Consolidated Appropriations Act, 2014, appropriated \$30 million for CERP, increasing total cumulative funding to nearly \$3.67 billion.⁷¹ Of this amount, DOD reported that nearly \$2.28 billion had been obligated, of which nearly \$2.26 billion had been disbursed as of June 30, 2014.⁷² Figure 3.11 shows CERP appropriations by fiscal year, and Figure 3.12 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.11

CERP APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

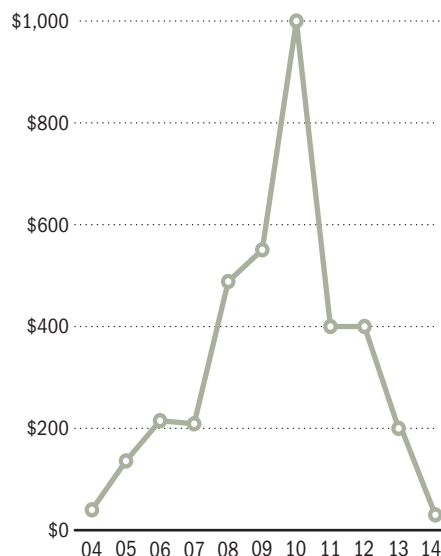
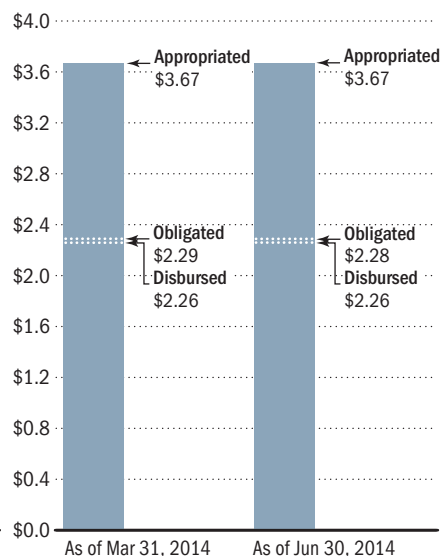


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



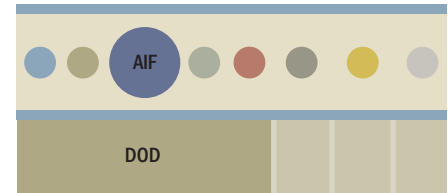
Notes: Numbers have been rounded. Data may include inter-agency transfers.

Source: DOD, responses to SIGAR data call, 7/17/2014 and 4/17/2014; OMB, response to SIGAR data call, 1/4/2013; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

AFGHANISTAN INFRASTRUCTURE FUND

The Afghanistan Infrastructure Fund (AIF) was established in FY 2011 to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. The AROC must approve all AIF-funded projects and project execution plans, and the Secretaries of State and Defense must notify Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counterinsurgency strategy in Afghanistan.⁷³

The Consolidated Appropriations Act, 2014, appropriated \$199 million for the AIF, increasing total cumulative funding to more than \$1.22 billion.⁷⁴ Figure 3.13 shows AIF appropriations by fiscal year. As of June 30, 2014, more than \$701.55 million of total AIF funding had been obligated, of which more than \$273.95 million had been disbursed.⁷⁵ In June 2014, DOD cancelled the second phase of the Dahla Dam Improvement Project, decreasing AIF obligations by more than \$184 million from the amount reported last quarter, as shown in Figure 3.14. The project was funded with FY 13/14 AIF funds. DOD has until the end of the current fiscal year to obligate the funds on another project.⁷⁶



AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2012.

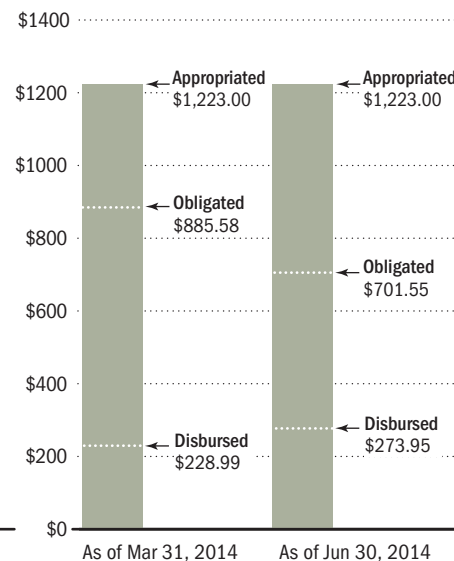
FIGURE 3.13

AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.14

AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Notes: Numbers have been rounded. Updated data resulted in a lower obligation figure than reported last quarter.

^a FY 2011 figure excludes \$101 million that was transferred to USAID to execute an AIF project.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2014," 7/18/2014; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2014," 4/16/2014; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

STATUS OF FUNDS



TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

National Defense Authorization Act

(NDAA): Funds authorized for TFBSO in the NDAA are used for activities directly related to reconstructing Afghanistan.

Operations and Maintenance, Army

(OMA): Funds TFBSO receives from the OMA account are used to pay for sustainment of U.S. assets, civilian employees, travel, security, and other operational costs.

TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

In 2010, the Task Force for Business and Stability Operations (TFBSO) began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial-system development, agricultural diversification and revitalization, and energy development.⁷⁷

TFBSO has two separate funding streams, the **National Defense Authorization Act (NDAA)** and the **Operations and Maintenance, Army, (OMA)**. Through June 30, 2014, the TFBSO has been appropriated more than \$116.94 million for FY 2014, increasing cumulative appropriations for the task force to nearly \$809.53 million.⁷⁸ Of this amount, nearly \$741.16 million had been obligated and more than \$578.99 million had been disbursed.⁷⁹ Figure 3.15 displays the amounts appropriated for TFBSO projects by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.

FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)

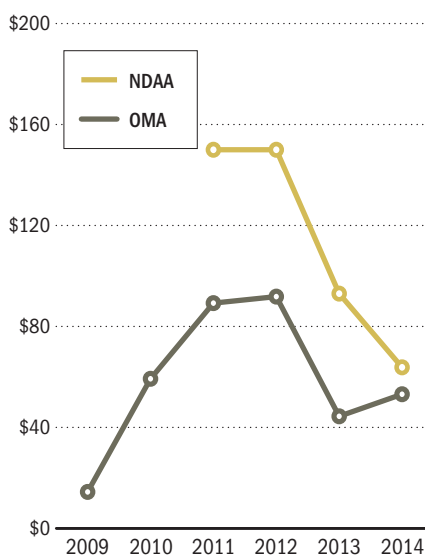
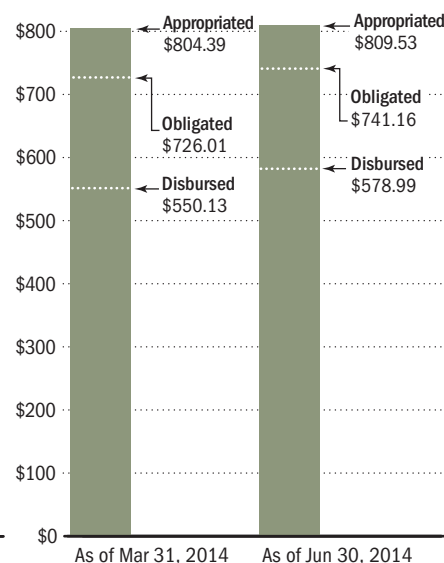


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON (\$ MILLIONS)



Notes: Numbers have been rounded.

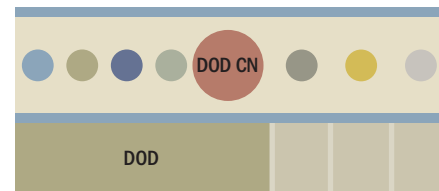
Sources: DOD, responses to SIGAR data call, 7/8/2014, 4/4/2014, and 10/4/2011; P.L. 113-76, 1/17/2014; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DOD's Drug Interdiction and Counter-Drug Activities fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.⁸⁰

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counter-narcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.⁸¹

DOD reported that DOD CN received nearly \$320.79 million for Afghanistan for FY 2014, bringing cumulative funding for DOD CN to more than \$2.93 billion since fiscal year 2004. Of this amount, more than \$2.61 billion had been transferred to the military services and defense agencies for DOD CN projects, as of June 30, 2014.⁸² Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



DOD CN FUNDS TERMINOLOGY

DOD reported DOD CN funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

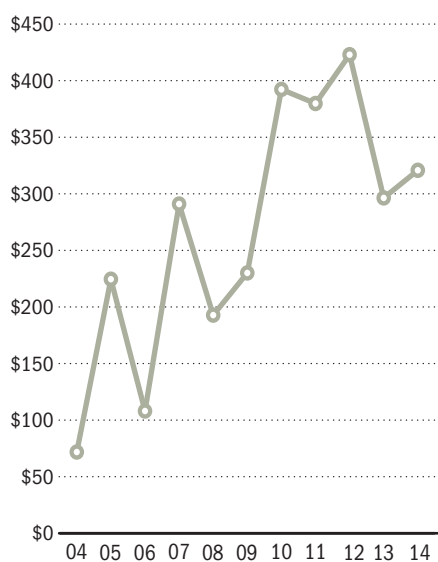
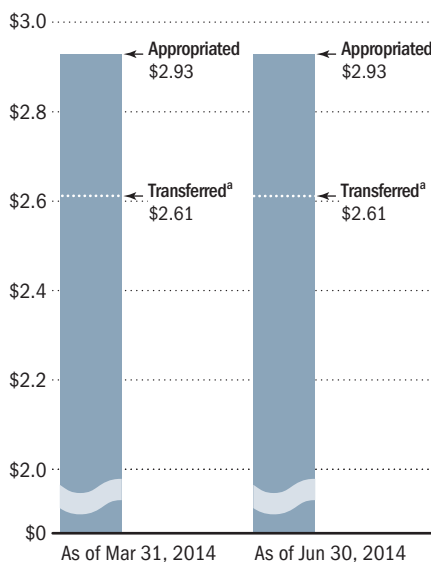


FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

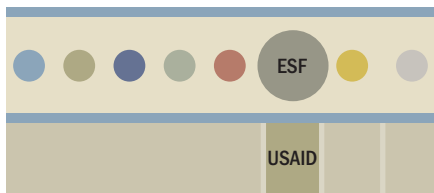


Note: Numbers have been rounded.

^a DOD reprograms all funds to the military services and defense agencies for obligation and disbursement.

Source: DOD, responses to SIGAR data call, 7/3/2014, 4/16/2014, 3/28/2014, and 1/22/2014.

STATUS OF FUNDS



ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: USAID, response to SIGAR data call, 4/15/2010.

ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counterterrorism, bolster national economies, and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.⁸³

The ESF was appropriated \$852 million for FY 2014, bringing cumulative funding for the ESF to more than \$17.53 billion. Of this amount, more than \$14.69 billion had been obligated, of which nearly \$12.09 billion had been disbursed.⁸⁴ Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of June 30, 2014, increased by more than \$24.65 million from the amount reported last quarter. Cumulative disbursements as of June 30, 2014, increased by nearly \$378.92 million over cumulative disbursements as of March 31, 2014.⁸⁵ Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR
(\$ BILLIONS)

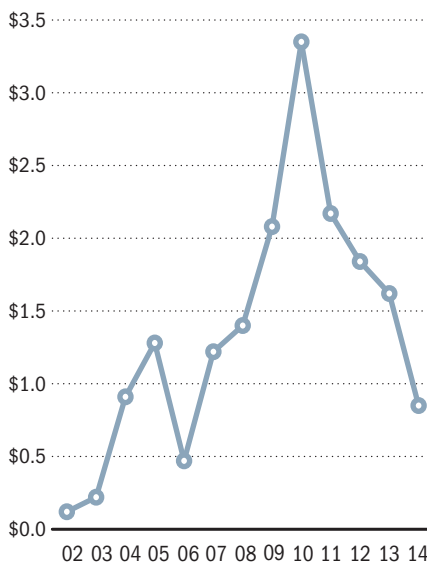
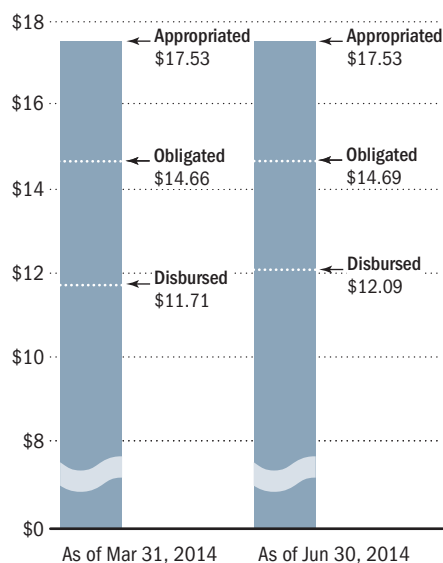


FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. FY 2011 figure includes \$101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund.

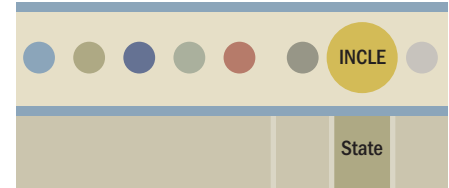
Sources: USAID, responses to SIGAR data call, 7/10/2014 and 4/7/2014; State, responses to SIGAR data call, 4/15/2014 and 6/27/2013.

INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counter-narcotics, and rule of law and justice.⁸⁶

State reported that INCLE was appropriated \$225 million for FY 2014, bringing cumulative funding for INCLE to more than \$4.41 billion. Of this amount, nearly \$3.56 billion had been obligated, of which more than \$3.00 billion had been disbursed.⁸⁷ Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of June 30, 2014, increased by more than \$13.53 million compared to cumulative obligations as of March 31, 2014. Cumulative disbursements as of June 30, 2014, increased by more than \$54.04 million over cumulative disbursements as of March 31, 2014.⁸⁸ Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



INL FUNDS TERMINOLOGY

INL reported INCLE and other INL funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: State, response to SIGAR data call, 4/9/2010.

FIGURE 3.21

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

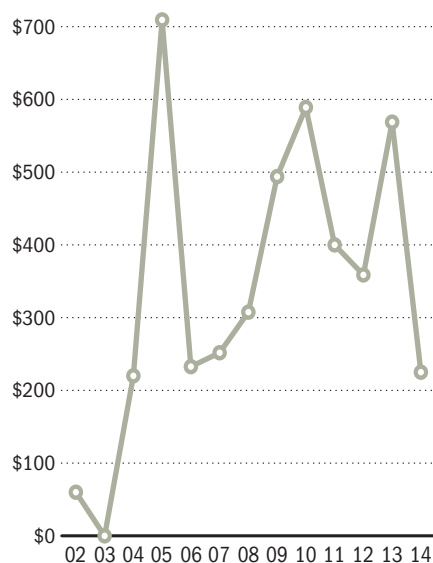
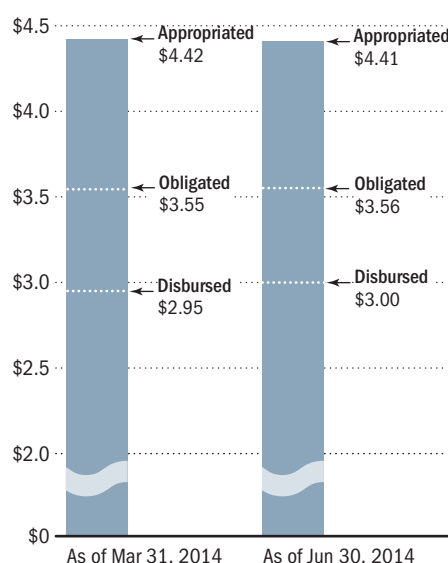


FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. Data may include inter-agency transfers. Updated data resulted in a lower appropriation figure than reported last quarter.

Source: State, response to SIGAR data call, 7/16/2014, 4/15/2014, and 4/11/2014.

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

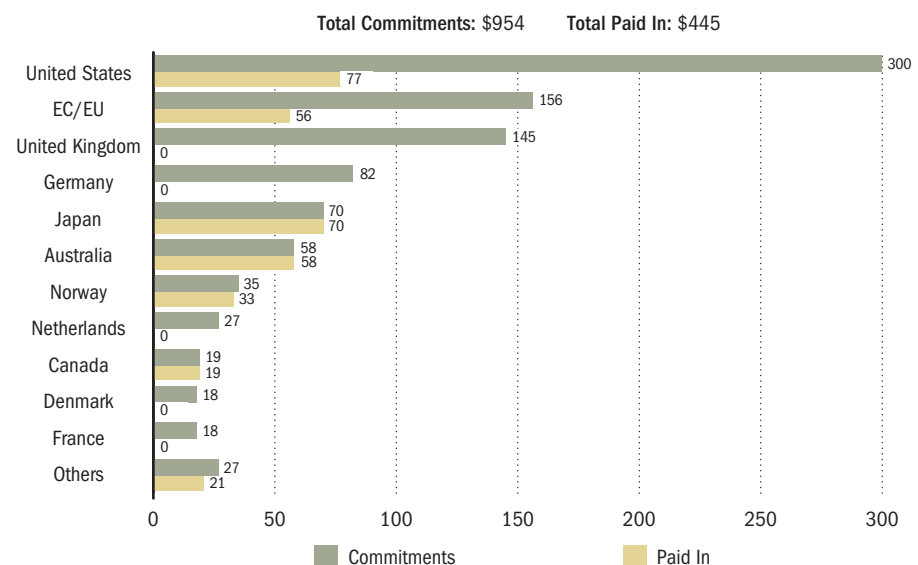
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).⁸⁹

Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to June 21, 2014, the World Bank reported that 33 donors had pledged nearly \$7.86 billion, of which more than \$7.24 billion had been paid in.⁹⁰ According to the World Bank, donors had pledged approximately \$954.16 million to the ARTF for Afghan fiscal year 1393, which runs from December 21, 2013, to December 20, 2014.⁹¹ Figure 3.23 shows the 11 largest donors to the ARTF for FY 1393.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1393 BY DONOR, AS OF JUNE 21, 2014 (\$ MILLIONS)



Notes: Numbers have been rounded. FY 1393 = 12/21/2013–12/20/2014.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of June 21, 2014 (end of 6th month of FY 1393)," p. 1.

STATUS OF FUNDS

As of June 21, 2014, the United States had pledged more than \$2.26 billion and paid in nearly \$2.04 billion since 2002.⁹² The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 46% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁹³ As of June 21, 2014, according to the World Bank, nearly \$3.06 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.⁹⁴ The RC Window supports the operating costs of the Afghan government because the government's domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.⁹⁵

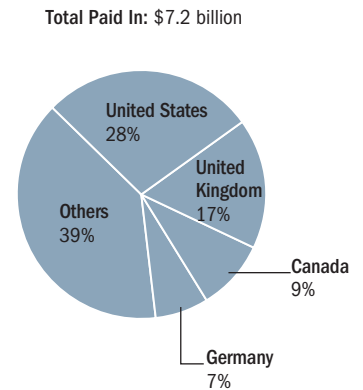
The Investment Window supports the costs of development programs. As of June 21, 2014, according to the World Bank, more than \$3.64 billion had been committed for projects funded through the Investment Window, of which nearly \$2.60 billion had been disbursed. The World Bank reported 23 active projects with a combined commitment value of more than \$2.41 billion, of which more than \$1.37 billion had been disbursed.⁹⁶

Contributions to the Law and Order Trust Fund for Afghanistan

The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior.⁹⁷ Since 2002, donors have pledged nearly \$3.72 billion to the LOTFA, of which nearly \$3.56 billion had been paid in, according to the most recent data available.⁹⁸ The LOTFA's sixth support phase started on January 1, 2011. Phase VI was initially planned to end on March 31, 2013, but after two extensions, the planned end date is currently December 31, 2014.⁹⁹ In the 39 months since Phase VI began, the UNDP had transferred more than \$1.64 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional \$42.14 million for capacity development and other LOTFA initiatives.¹⁰⁰ As of March 31, 2014, donors had committed more than \$2.18 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly \$967.10 million, and Japan had committed more than \$744.76 million. Their combined commitments make up more than 78% of LOTFA Phase VI commitments. The United States had contributed nearly \$1.37 billion to the LOTFA since the fund's inception.¹⁰¹ Figure 3.25 shows the four largest donors to the LOTFA since 2002, based on the latest data available.

FIGURE 3.24

ARTF CONTRIBUTIONS PAID IN BY DONORS, SY 1381 (2002)–JUNE 21, 2014 (PERCENT)

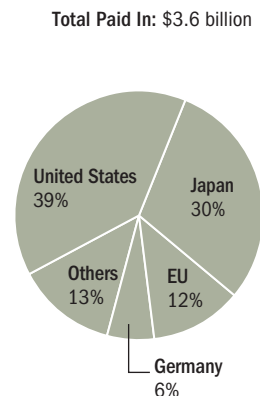


Notes: Numbers have been rounded. "Others" includes 29 donors.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of June 21, 2014 (end of 6th month of FY 1393)," p. 5.

FIGURE 3.25

DONORS' CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF MARCH 31, 2014 (PERCENT)



Notes: Numbers have been rounded. EU = European Union. "Others" includes 18 donors.

Source: UNDP, "Law and Order Trust Fund for Afghanistan (LOTFA) 2014 First Quarter Project Progress Report," 6/9/2014, p. 28; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 7/16/2014.

SECURITY CONTENTS

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SECURITY

As of June 30, 2014, the U.S. Congress had appropriated more than \$61.8 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$57.3 billion) were channeled through the Afghanistan Security Forces Fund (ASFF) and provided to the Combined Security Transition Command-Afghanistan (CSTC-A). Congress established the ASFF to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the \$57.3 billion appropriated for the ASFF, approximately \$50.0 billion had been obligated and \$48.2 billion disbursed as of June 30, 2014.¹⁰²

This section discusses assessments of the ANSF and the Ministries of Defense and Interior; gives an overview of U.S. funds used to build, equip, train, and sustain the ANSF; and provides an update on efforts to combat the cultivation of and commerce in illicit narcotics in Afghanistan. This section also discusses the challenges of transitioning to Afghan-led security by the end of 2014.

KEY ISSUES AND EVENTS THIS QUARTER

Key issues and events this quarter include President Obama's announcement of a troop-withdrawal schedule, the release of the Department of Defense's (DOD) overseas contingency operations (OCO) budget request for fiscal year (FY) 2015, continuing U.S. concerns over the lack of a signed U.S.-Afghan Bilateral Security Agreement (BSA), and the transition of convoy and facility security responsibilities from the Afghan Public Protection Force (APPF) to the ANP. In addition, the United Nations (UN) reported an increase in violence in Afghanistan.

President Obama Announces Troop-Withdrawal Schedule

The United States will keep troops in Afghanistan after 2014 if the Afghan government signs a BSA shielding them from prosecution under the Afghan legal system. Both candidates for president in the Afghan run-off election have said they would sign the agreement. On May 27, 2014, President Obama announced the number of U.S. forces that would remain in Afghanistan under a BSA.

The United States has been steadily reducing its troop strength from a peak of 100,000 in 2011. President Obama announced that from the current strength of 32,800, the U.S. force will be reduced to approximately 9,800 by the beginning of 2015. That number will decline by half during 2015; remaining U.S. forces will be consolidated at Bagram Airfield and in Kabul. By the end of 2016, the force will be reduced to a normal embassy presence with a security-assistance component.¹⁰³

President Obama said post-2014 U.S. objectives are to disrupt threats posed by al-Qaeda, support Afghan security forces, and give the Afghan people the opportunity to succeed. He also announced two other missions after 2014: training Afghan forces and supporting counterterrorism operations. The president cautioned that Afghanistan will not be a perfect place nor is it America's responsibility to make it one.¹⁰⁴

President Karzai released a statement the following day welcoming President Obama's decision. However, members of the National Assembly and civil society expressed concern about the readiness of Afghan security forces and the withdrawal's impact on the broader international commitment to Afghanistan.¹⁰⁵

ANSF Secures Runoff Election

The ANSF succeeded in securing the runoff presidential election held on June 14, 2014, despite threats of violence.¹⁰⁶ ISAF reported the ANSF conducted non-stop security operations following the initial elections, leading all aspects of security, and securing approximately 6,200 polling centers across the country. General Joseph F. Dunford, Commander of ISAF and U.S. Forces-Afghanistan (USFOR-A) commended the professionalism and commitment of the ANSF, "Once again, the Afghan security forces have provided the Afghan people with the opportunity to vote."

ANSF performance was consistent with a DOD assessment that the ANSF emerged from the 2013 fighting season as a competent and confident force, capable of providing security for Afghanistan.¹⁰⁷ During his nomination hearing, General John F. Campbell testified that "the ANSF have proven their combat capability through success in two fighting seasons, two national elections, and multiple high profile events."¹⁰⁸

FY 2015 ASFF Budget Request Increases Funding for ANSF Sustainment

This quarter, DOD released its FY 2015 Overseas Contingency Operations (OCO) budget request for the ASFF. The \$4.11 billion request is \$3.62 billion less than the FY 2014 request and \$617 million less than the final amount appropriated for FY 2014.¹⁰⁹ During FY 2015, Coalition advisors will focus on capability gaps and on improving systems for logistics, medical care, and countering improvised explosive devices.¹¹⁰ Over 84% of the request is for ANSF sustainment costs, such as salaries, fuel, and maintenance—more than

two and a half times the amount appropriated for this purpose in FY 2014. Although no FY 2014 funding was appropriated for ANP infrastructure, \$15 million was requested in the FY 2015 budget, \$10.2 million of which is for fire department facilities.¹¹¹ The amounts requested for other funding categories were far less than the FY 2014 appropriations, as shown in Table 3.6.

TABLE 3.6

AFGHANISTAN SECURITY FORCES FUND			
	FY 2014 ASFF Current Distribution	FY 2015 Overseas Contingency Operations (OCO) Request	Change
MOD/ANA			
Sustainment	\$890,078,000	\$2,514,660,000	182.5%
Infrastructure	278,650,000	20,000,000	-92.8%
Equipment and Transportation	1,688,382,000	21,442,000	-98.7%
Training and Operations	628,550,000	359,645,000	-42.8%
MOI/ANP			
Sustainment	\$605,020,000	\$953,189,000	57.5%
Infrastructure	10,000,000	15,155,000	51.6%
Equipment and Transportation	167,896,000	18,657,000	-88.9%
Training and Operations	441,419,000	174,732,000	-60.4%
Related Activities			
Sustainment	\$14,225,000	\$29,603,000	108.1%
Infrastructure	0	0	NA
Equipment and Transportation	0	0	NA
Training and Operations	2,500,000	2,250,000	-10.0%
Total	\$4,726,720,000	\$4,109,333,000	-13.1%

Notes: MOD = Ministry of Defense; MOI = Ministry of Interior.

Sources: DOD, "Justification for FY 2015 Overseas Contingency Operations, Afghanistan Security Forces Fund (ASFF)," 6/2014; DOD, response to SIGAR data call, 7/17/2014.

The FY 2015 OCO request for ANA equipment funding is to purchase light air-support and training aircraft, as well as maintenance, test, and ground-support equipment for the Afghan Air Force. The additional request for ANA infrastructure is to fund major projects that the Ministry of Defense (MOD) has deemed necessary to meet its requirements. The majority of the ANP equipment and transportation request is to cover transportation costs of previously procured equipment, such as vehicles, weapons, and radios. (\$18.2 million).¹¹²

Bilateral Security Agreement Remains Unsigned

The negotiated BSA between the United States and Afghanistan to define the legal status of U.S. forces in Afghanistan after 2014 remains unsigned. The final status of the BSA will have a profound impact on the U.S.

military footprint in Afghanistan after 2014, the willingness of the United States and the international community to continue to finance reconstruction programs, and on Afghanistan's ability to maintain progress in the security, governance, and economic sectors. The U.S. and Afghan governments agreed on a draft text of the BSA and a *Loya Jirga* (tribal assembly) approved the document in November 2013.¹¹³ President Hamid Karzai refused to sign it. However, both candidates in Afghanistan's runoff presidential election have said they will sign the BSA if elected.¹¹⁴ NATO Secretary-General Anders Fogh Rasmussen warned that failure to sign the BSA by the end of September would cause serious problems for the Western allies and put future security arrangements in jeopardy.¹¹⁵

Transition of Afghan Public Protection Force Responsibilities Leaves Project Security Uncertain

The Afghan Public Protection Force (APPF), a state-owned enterprise under the authority of the Ministry of Interior (MOI), was established to provide contract-based facility and convoy security services in Afghanistan following President Karzai's 2010 decree prohibiting operation of private security companies.¹¹⁶ However, on February 17, 2014, the Council of Ministers (COM), acting on President Karzai's orders, directed the APPF to be dissolved and its guard functions transitioned to the ANP.¹¹⁷ The United States has provided more than \$51 million to support the APPF, which provided security for many U.S.-funded programs and projects.¹¹⁸

In response to a SIGAR request for information about why the APPF was dissolved, the NATO Training Mission-Afghanistan (NTM-A) explained that the Minister of Interior on June 10, 2014, told ISAF that the APPF "worked," but President Karzai "was not happy with its existence." It was not clear why President Karzai was dissatisfied with a program he created. According to NTM-A, four committees were tasked to develop a plan for transitioning APPF operations into the ANP. Although the committees reportedly completed their work, the Minister of Interior, under considerable pressure from President Karzai, was dissatisfied with the progress of the transition, and ordered the APPF's convoy security operations to transfer to the ANP on May 22, 2014.¹¹⁹

NTM-A said that qualified APPF personnel could join the ANP. However, due to the ANP's age policy, guards over age 35 would lose their jobs. Those choosing to transfer to the ANP would be sent to the ANP training academy and would sign a three-year contract. NTM-A noted that all security operations would continue under the control of the MOI's Deputy Minister for Security and the ANP.¹²⁰

The transition of convoy-security responsibilities from the APPF to the ANP is already creating some legal hurdles for the United States. The United States contributes to the Law and Order Trust Fund for Afghanistan (LOTFA), which covers ANP salaries and expenses. Because

the APPF was a state-owned enterprise not funded by LOTFA, the United States paid for its services on a contract basis. However, with the ANP assuming convoy-security responsibilities from the APPF, CSTC-A believes the United States can no longer legally pay for those services because it would, in effect, be paying double. Accordingly, on May 23, 2014, USFOR-A stopped paying the security fees for APPF services. Unfortunately, provincial police chiefs, who would assume convoy-security duties within their jurisdiction, have indicated they do not have the personnel, fuel, and vehicles necessary to cover this new requirement. NTM-A stated that “discussions indicate MOI is working to establish a process closely resembling APPF in order to mitigate concerns.”¹²¹ This again raises the question of why the APPF is being dissolved.

Static security—guarding fixed facilities—has also been affected by the transition. As of June 30, 2014, the APPF provided security for five ISAF forward operating bases (FOBs); another 22 FOBs were secured by private security companies. NTM-A said salary payments to FOB guards have now been interrupted by the MOI’s “directed blockage of funds” to pay them.¹²² However, NTM-A noted that the MOI’s current plan for transitioning static-security responsibilities could also create the same legal hurdles for the United States as with convoys.¹²³ USAID and its implementing partners rely on APPF to provide site security for nearly \$2 billion in development-assistance projects. Their implementing partners currently have 26 contracts with the APPF state-owned enterprise valued at over \$13 million. CSTC-A reported that without security, USAID cannot continue some of its projects. CSTC-A also reported the U.S. Foreign Assistance Act prohibits USAID funds from being used to fund the services of police or soldiers. In order to comply with U.S. law, USAID needs written confirmation from the MOI that services will continue to be provided by security guards, as had been the case with the APPF state-owned enterprise. According to NTM-A, ISAF, USAID, and others are assessing the viability and feasibility of MOI proposed solutions.¹²⁴

According to NTM-A, the most recent tally showed that the APPF comprised 19,912 personnel, including approximately 3,800 convoy-security guards. However, this does not take into account the recent transitions. NTM-A reported that “verifying exact numbers is not possible at this time.”¹²⁵ It is unclear what the APPF or its successor organization will look like.

According to NTM-A, the MOI has admitted to making mistakes and is “working to find a way to effectively transition security services without impacting security services.”¹²⁶ A senior MOI official said they should have developed, reviewed, approved, and implemented a plan. Instead, they were told to make a change, which they did, without a clear plan in place. NTM-A noted that, “In addition to affecting ISAF interests, USAID, U.S. Embassy, and other elements within the International Community are impacted with respect to projects within their interests.”¹²⁷

APPF transition to the ANP leads to legal issues as U.S. development funding cannot be used for police services.

Source: CSTC-A, response to SIGAR data call, 7/1/2014.

In the first half of 2014, UNAMA observed a direct correlation between closures [of ISAF bases] and a rise in civilian casualties in some areas.

— UN Secretary-General

Source: UNAMA, *Afghanistan Midyear Report 2014, Protection of Civilians in Armed Conflict*, 7/2014, p. 7.

Coalition Forces Withdraw

Denmark's mission in Afghanistan came to an end with a ceremony at Camp Bastion on May 20, 2014. This year marked their 17th rotation and final deployment to Afghanistan. Throughout their mission, over 18,000 Danish soldiers deployed and 33 were killed in action.¹²⁸ Romania ended its combat operations on June 29, 2014, but will continue its support operations.¹²⁹

UN Reports Afghan Violence on the Rise

According to the UN Secretary-General, the conflict in Afghanistan is intensifying. In his June 18 report to the UN Security Council, the Secretary-General said that the first quarter of 2014 had the second-highest level of violence since the fall of the Taliban; 2011 had the highest. Between March 1 and May 31, 2014, the number of security incidents increased by 22% versus the same period a year earlier. The increase is attributed mainly to the election, with 476 security incidents recorded on polling day.¹³⁰ The majority of the 5,864 security incidents occurred in the south, south-east, and east.¹³¹ Armed clashes and improvised explosive device (IED) events accounted for 74% of all security incidents.¹³² In a worrying sign of spreading conflict, ground combat is causing more deaths and injuries than IEDs, with women and children increasingly caught in the crossfire.¹³³

"The nature of the conflict in Afghanistan is changing in 2014 with an escalation of ground engagements in civilian-populated areas," warned Ján Kubiš, the UN mission chief in Afghanistan. "The impact on civilians, including the most vulnerable Afghans, is proving to be devastating."¹³⁴ The United Nations Assistance Mission in Afghanistan (UNAMA) observed a direct correlation between ISAF base closures and the rise in civilian casualties.¹³⁵ Additionally, the UN recorded 229 assassinations and failed assassination attempts, an increase of 32% over the same period in 2013.¹³⁶

U.S. FORCES IN AFGHANISTAN

According to ISAF, 32,800 U.S. forces were serving in Afghanistan as of June 30, 2014. Approximately 17,102 Coalition forces were serving as of June 1, 2014.¹³⁷ On May 27, 2014, President Obama announced U.S. forces in Afghanistan will reduce to approximately 9,800 by January 2015 and will be reduced further throughout 2015.¹³⁸ Since operations began in 2001, a total of 2,197 U.S. military personnel have died in Afghanistan—83% of whom were killed in action—and 19,728 were wounded as of July 3, 2014.¹³⁹

DOD REPORTS STEPS TO IMPROVE CONTRACT MANAGEMENT

DOD has advised SIGAR of several steps taken to address what a January 2012 contracting conference identified as the "failure to enforce existing standards, policies and procedures by all entities" involved in federal contracting in Afghanistan. The conclusion appeared in a memo on the contracting "shura" or conference in Kabul attended by more than 100 representatives of U.S. Central Command (CENTCOM), USFOR-A, ISAF Joint Command, contracting organizations, and others.¹⁴⁰ As described in prior SIGAR quarterly reports, SIGAR has repeatedly asked about follow-up steps

for the shura, whose summary memo also noted “poor accountability” for failure to enforce standards, policies and procedures.”¹⁴¹

In response to a fourth SIGAR request for information on the measures taken to address deficiencies in the contracting process, DOD has now reported that “initiatives to improve adherence to existing standards, policies, and procedures for Contingency Contracting Officers and Contingency Contracting Officer’s Representatives” (CORs) include new certification standards and curriculum content; efforts to improve acquisition workforce staffing; distribution of 40,000 copies of new COR handbooks and increased Internet information; joint exercises in contract support; a web-based COR tracking tool to manage the nomination, training, and tracking of CORs and their assigned contracts; a contract command officer liaison at CSTC-A to assist in building Afghan contracting capacity; and “numerous policy documents,” expanded guidance, and compliance monitoring for contracting entities.¹⁴²

SIGAR is reviewing the details of DOD’s response to questions on the important issues of contract management, oversight, compliance, and accountability, and will seek further information on the practical impacts of follow-up steps to the 2012 contracting shura. SIGAR is also reviewing the response to determine if DOD substantively addressed the full set of questions posed.

ANSF STRENGTH

This quarter, ANSF’s assigned force strength was 340,293, according to CSTC-A.¹⁴³ This is 97% of the ANSF’s end-strength goal of 352,000 ANSF personnel. DOD’s goal to reach 352,000 ANSF by 2014 (187,000 ANA by December 2012, 157,000 ANP by February 2013, and 8,000 Air Force by December 2014) has mostly been met.¹⁴⁴ The ANA and ANP are within 3% of their target end strength and the Air Force (expected to reach its goal at the end of the year) is within 16%, as shown in Table 3.7. However, as noted on the following page, ANA strength continues to include civilian personnel.

SIGAR AUDIT

An ongoing SIGAR audit is assessing the reliability and usefulness of data on the number of ANSF personnel authorized, assigned, and trained.

TABLE 3.7

ANSF ASSIGNED FORCE STRENGTH, MAY 2014

ANSF Component	Current Target	Status as of 5/2014	Difference Between Current Strength and Target End-Strength Goals
Afghan National Army	187,000 personnel by December 2012	181,439 (97%)	-5,561 (3%)
Afghan National Police	157,000 personnel by February 2013	152,123 (97%)	-4,877 (3%)
Afghan Air Force	8,000 personnel by December 2014	6,731 (84%)	-1,269 (16%)
ANSF Total	352,000	340,293 (97%)	-11,707 (3%)

Sources: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; CSTC-A, response to SIGAR data call, 7/1/2014; SIGAR analysis.

TABLE 3.8

CIVILIANS COUNTED TOWARD ANA STRENGTH									
	2012			2013				2014	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Civilians Included in Force Strength?	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes
Number of Civilians Included	NA	NA	NA	NA	7,806	8,698	9,336	9,486	9,647

Note: Reflects calendar year quarters; NA = Unknown.

Source: CSTC-A responses to SIGAR data calls, 7/1/2014, 3/31/2014, 1/6/2014, 10/1/2013, 7/2/2013, 4/1/2013, 1/2/2013, 10/1/2012, and 7/2/2012.

“Civilians have to be reflected against ANA end strength if the 352K goal [for the ANSF] is to be the point of comparison.”

Source: CSTC-A, response to SIGAR vetting, 4/10/2014.

Tashkil: Lists of personnel and equipment requirements used by the MOD and MOI that detail authorized staff positions and equipment items. The word means “organization” in Dari.

Source: GAO, GAO-08-661, *Afghanistan Security*, 6/2008, p. 18.

ANA Civilians Still Count Toward ANSF Strength

SIGAR has long been concerned about the issue of civilians being counted as part of ANA force strength. In July 2012, CSTC-A told SIGAR that civilians were included in the assigned strength of the ANA.¹⁴⁵ In October 2012, CSTC-A said that civilians had been accounted for and removed from the ANA’s “end strength number.”¹⁴⁶ However, after a few quarters, civilians were again included in the ANA’s force strength, as reflected in Table 3.8. This quarter, CSTC-A reported 9,647 civilians in the force strength of the ANA and Afghan Air Force.¹⁴⁷

According to CSTC-A, the 187,000 authorized positions in the ANA includes civilians and that “civilians have to be reflected against ANA end strength if the 352K goal [for the ANSF] is to be the point of comparison.”¹⁴⁸

In February 2012, a DOD Office of the Inspector General (OIG) report identified the issue of and risks associated with civilians being counted as part of the ANA. In that report, the DOD OIG found that ANA finance officers had “coded” civilian personnel as military or armed forces personnel and included them for payment by CSTC-A, despite an agreement between NTM-A/CSTC-A and the MOD that only military personnel would be reimbursed. At that time, CSTC-A finance personnel were unaware that civilians had been included for military pay.¹⁴⁹

According to CSTC-A, U.S. funding is provided assuming 100% *tashkil*, or authorized staffing.¹⁵⁰ This raises the question: is the United States still paying civilian salaries?

According to the Center for Naval Analyses (CNA) independent assessment released last quarter, “uniformed ANSF positions in the MOD and MOI should be civilianized. If civilians with the appropriate expertise cannot be recruited or trained for these positions—or if active-duty ANSF personnel cannot be transitioned to the civil service—then ANSF force structure will need to be increased to accommodate them.”¹⁵¹

ANSF Assessment

Assessments of the ANA and ANP are indicators of the effectiveness of U.S. and Coalition efforts to build, train, equip, and sustain the ANSF. These assessments provide both U.S. and Afghan stakeholders with updates on

the status of these forces as transition continues and Afghanistan assumes responsibility for its own security. ISAF uses the Regional ANSF Status Report (RASR) to rate the ANSF.¹⁵²

According to ISAF Joint Command (IJC), the RASR provides a monthly operational-level update on readiness, long-term sustainability, and associated shortfalls of the ANA and ANP.¹⁵³ The RASR uses rating definition levels (RDLs), based upon ANSF capabilities, to assess ANSF units at the brigade level.¹⁵⁴ The RDLs use an assessment matrix tailored to the specific unit type (e.g. infantry, intelligence, signals) and identifies the capabilities a unit must possess in order to be assessed “Fully Capable.” According to IJC, “this simplified system is easily observable, not as labor intensive or complex [as the previous system], and could form the basis of Afghan ‘self reporting’ as ISAF continues to draw down.”¹⁵⁵

A February 2014 report by SIGAR found that as Coalition forces withdraw, the IJC will have less insight into the ANSF’s capabilities and rely more on the ANSF for assessment data.¹⁵⁶ ISAF will continue to use the RASR in this situation as long as it provides substantial value to understanding the ANSF.¹⁵⁷ To address the decreased insight, ISAF developed a four-point plan: continue the RASR at ANA corps level and ANP brigade level; make partnered staff-assistance visits focused on units not covered by Coalition advisors; mature ANA and ANP readiness-reporting systems; and use a recently established Security Force Assistance working group to build long-term Afghan sustainability. ISAF’s Security Force Assistance resources are being realigned to focus on developing eight essential functions within the ANSF.¹⁵⁸

The RASR rates ANA brigades in six areas:¹⁵⁹

- Combined Arms (planning and conducting joint operations using multiple types of weapons)
- Leadership
- Command & Control
- Sustainment
- Training (conducting training)
- Attrition

For the ANA, the latest RASR report provides assessments of 24 brigades (22 brigades within corps and two brigades of the 111th Capital Division). Of those, 92% were “fully capable” or “capable” of planning and conducting joint and combined-arms operations. This is an increase from the 87%¹⁶⁰ assessed at those levels last quarter.¹⁶¹ This was due to one brigade improving from “partially capable” to “capable” and one brigade, not assessed last quarter but earlier deemed “capable,” being assessed as “capable.” In most assessment categories, the ANA’s capability showed some improvement, as shown in Table 3.9 on the following page.¹⁶²

According to the latest RASR report, the delivery of radios over the last two months dramatically improved the materiel readiness of 207th Corps

TABLE 3.9

REGIONAL ANSF STATUS REPORT - ANA ASSESSMENTS, QUARTERLY CHANGE																				
	Fully Capable				Capable				Partially Capable				Developing				Not Assessed			
	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-
Combined Arms Operations	8	8	0		12	14	2		3	2	-1		0	0	0		1	0	-1	
Leadership	15	16	1		6	6	0		2	2	0		0	0	0		1	0	-1	
Command & Control	9	12	3		14	12	-2		0	0	0		0	0	0		1	0	-1	
Sustainment	6	5	-1		11	14	3		6	5	-1		0	0	0		1	0	-1	
Training	6	6	0		13	14	1		3	3	0		1	1	0		1	0	-1	
Attrition	1	5	4		9	8	-1		0	0	0		14	11	-3		0	0	0	

Notes: Numbers represent brigades. Attrition assessment is based on the following monthly attrition rates: 0–1.99% = Fully Capable; 2–2.99% = Capable; 3%+ = Developing. Quarters are calendar year.

Sources: IJC, March 2014 RASR Status Report, Executive Summary, 4/9/2014; IJC, June 2014 RASR Status Report, Executive Summary, 6/1/2014.



The first sale of useable non-military vehicles, appliances, and furniture no longer needed by the United States took place in Bagram on June 25, 2014, the first of several planned across Afghanistan. (ISAF photo)

communication equipment. However, other units had a shortage of radios, and most corps have shortages of machine guns, fuel, and water trucks.¹⁶³ This quarter, the ANA's equipment readiness status reflected a reduction in the number of equipment types where it met or exceeded the amount of equipment authorized to fulfill its mission.¹⁶⁴ IJC noted that sustainment continues to be an impediment for progress for the ANA, mainly as a result of a supply system in which headquarters determines what is to be requisitioned, and slow resupply of spare parts.¹⁶⁵

Significant improvement was reported in attrition with 54% of brigades rated “fully capable” or “capable,” an increase over the 42% rated last quarter. Forty-six percent of brigades were still considered “developing,” meaning that attrition in these brigades is 3% or more per month. However, this is a notable improvement from the last two quarters, when 58% and 71% were rated as “developing.”¹⁶⁶ In other areas, most ANA brigades were rated “fully capable” or “capable,” including leadership (92%), command and control (100%), sustainment (79%), and training (83%).¹⁶⁷

The RASR rates ANP components in six areas:¹⁶⁸

- Law Enforcement Operations (making arrests and prosecuting those arrested)
- Leadership
- Command & Control
- Sustainment
- Training (conducting training)
- Attrition

For the ANP, the latest RASR report provides assessments of 18 of 22 regional ANP components—the Afghan Uniform Police (AUP), Afghan Border Police (ABP), and the Afghan National Civil Order Police (ANCOP)—in seven different zones. IJC notes the four components were

TABLE 3.10

REGIONAL ANSF STATUS REPORT - ANP ASSESSMENTS, QUARTERLY CHANGE																				
	Fully Capable				Capable				Partially Capable				Developing				Not Assessed			
	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-
Law Enforcement Operations	5	2	-3		10	10	0		3	5	2		0	1	1		3	4	1	
Leadership	10	6	-4		6	8	2		2	2	0		0	0	0		3	6	3	
Command & Control	5	5	0		9	10	1		4	3	-1		0	0	0		3	4	1	
Sustainment	4	1	-3		12	12	0		2	5	3		0	0	0		3	4	1	
Training	5	2	-3		9	8	-1		3	6	3		1	2	1		3	4	1	
Attrition	7	10	3		4	5	1		0	0	0		9	7	-2		1	0	-1	

Notes: Numbers represent brigades. Attrition assessment is based on the following monthly attrition rates: 0–1.99% = Fully Capable; 2–2.99% = Capable; 3%+ = Developing. Quarters are calendar year.

Sources: IJC, March 2014 RASR Status Report, Executive Summary, 4/9/2014; IJC, June 2014 RASR Status Report, Executive Summary, 6/1/2014.

not assessed due to reduced Security Force Assistance Advisory Teams coverage.¹⁶⁹ Of the 18 that were assessed, 67% were “fully capable” or “capable” of carrying out law-enforcement operations, as shown in Table 3.10. The RASR defines law-enforcement operations as “making arrests and prosecuting those arrested.”¹⁷⁰ The common shortfalls are lack of investigative, evidence collection, and crime-scene processing skills.¹⁷¹

IJC noted that ANP rates of materiel readiness or equipment levels are generally similar to the previous reporting period.¹⁷² Attrition has improved, but continues to be a challenge for the ANP as 32% of regional components are considered “developing,” meaning attrition in these units is 3% or more per month. That is a reduction since last quarter, when 45% of regional components were considered “developing.” In other areas, the ANP regional components are mostly “fully capable” or “capable”: leadership (88%), command and control (83%), sustainment (72%), and training (56%).¹⁷³

Notwithstanding the RASR assessments, General Joseph F. Dunford, Commander of ISAF and USFOR-A, has told the Congress that the ANSF will need continued support after 2014.¹⁷⁴

ANSF to Begin Providing Literacy Training

Although the NTM-A said it met its goal to have 100,000 ANSF personnel (both ANA and ANP) functionally literate by December 2014, NTM-A is unable to confirm how many of those trained personnel are still in the ANSF, based on the lack of personnel-tracking capabilities within the ANSF.¹⁷⁵ This raises the question: was the intent of the goal to train 100,000 personnel or to have 100,000 functionally literate personnel in the ANSF?¹⁷⁶ NTM-A estimated that “due to attrition less than 30% of the ANSF will be functionally literate [level 3 literacy] by the end of December 2014.”¹⁷⁷

Level 1 literacy is the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At level 2, an individual

“If we leave at the end of 2014, the Afghan security forces will begin to deteriorate, the security environment will begin to deteriorate, and I think the only debate is the pace of that deterioration.”

—General Joseph F. Dunford

Source: U.S. Senate Committee on Armed Services, Hearing to Receive Testimony on the Situation in Afghanistan, 3/12/2014, p. 13.

can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute, and use printed and written materials.”¹⁷⁸

Since 2009, NTM-A has viewed increasing literacy rates as critical to developing a capable, professional, and sustainable ANSF. NTM-A said Coalition forces consider literacy a cornerstone of education.¹⁷⁹ A former NTM-A commander, Lieutenant General William B. Caldwell, estimated that the ANSF’s overall literacy rate in 2010 was 14%.¹⁸⁰ At the time, NTM-A set a goal of having the ANSF achieve 100% proficiency for level 1 literacy and 50% proficiency at level 3 literacy by the end of 2014. NTM-A’s goals were based on the ANSF’s 2009 authorized strength of 148,000 personnel rather than on the current authorized strength of 352,000.¹⁸¹

As of June 30, 2014, NTM-A reported that 104,042 ANSF personnel have completed the level 3 literacy course, as shown in Table 3.11.

TABLE 3.11

ANSF LITERACY TRAINING, AS OF JUNE 30, 2014				
Literacy Trained	ANA	ANP	Total ANSF	Goal End 2014
Level 1	176,668	97,097	273,765	Up to 300,000
Level 2	63,159	63,504	126,663	120,000-130,000
Level 3	61,623	42,419	104,042	100,000-110,000

Source: CSTC-A, responses to SIGAR data call, 6/30/2014.

From 2010 through 2013, the United States has funded three literacy contracts for the ANSF. In 2014, the NATO Trust Fund will provide \$24.6 million for literacy contracts. The final task orders will expire on December 31, 2014. The MOD and MOI will then assume total program management and contracting responsibility for the literacy and language programs.¹⁸² NTM-A is assisting the MOD and MOI in planning and implementing the literacy training program transition.

Acting on recommendations made in the January 2014 SIGAR audit report on the ANSF literacy training program (SIGAR Audit 14-30-AR), NTM-A implemented a change that has increased program efficiency. Specifically, NTM-A now hosts monthly working-level meetings with the ANSF and the literacy contractors to address program-execution issues.¹⁸³ NTM-A also noted they halted the use of language in their contracts that gave contractors too much flexibility in course delivery. As a result, overall graduation rates for the first five months of 2014 compared to the last five months of 2013 have noticeably increased (level 1 increased 54%; level 2 increased 116%; level 3 increased 77%).¹⁸⁴

The SIGAR audit highlighted NTM-A’s inability to fully measure the effectiveness of the literacy program for lack of independent verification of testing or personnel tracking.¹⁸⁵ NTM-A proposed an improved program

plan, incorporating five years of lessons learned, for the MOD and MOI. NTM-A recommended that ANSF utilize the Ministry of Education (MOE) for personnel verification and tracking and capitalize on the MOE's "train the trainer" capability currently being developed.¹⁸⁶

It is noteworthy that both the MOD and MOI agreed to full ownership of their respective literacy programs beginning January 1, 2015. The ANSF, with the advice and assistance of NTM-A, is postured to have finalized program plans with validated requirements that focus on two specific lines of effort by July 31, 2104:

- centralized institutional literacy training for new recruits at regional training centers
- continued development of a literacy-training capability via a train-the-trainer program

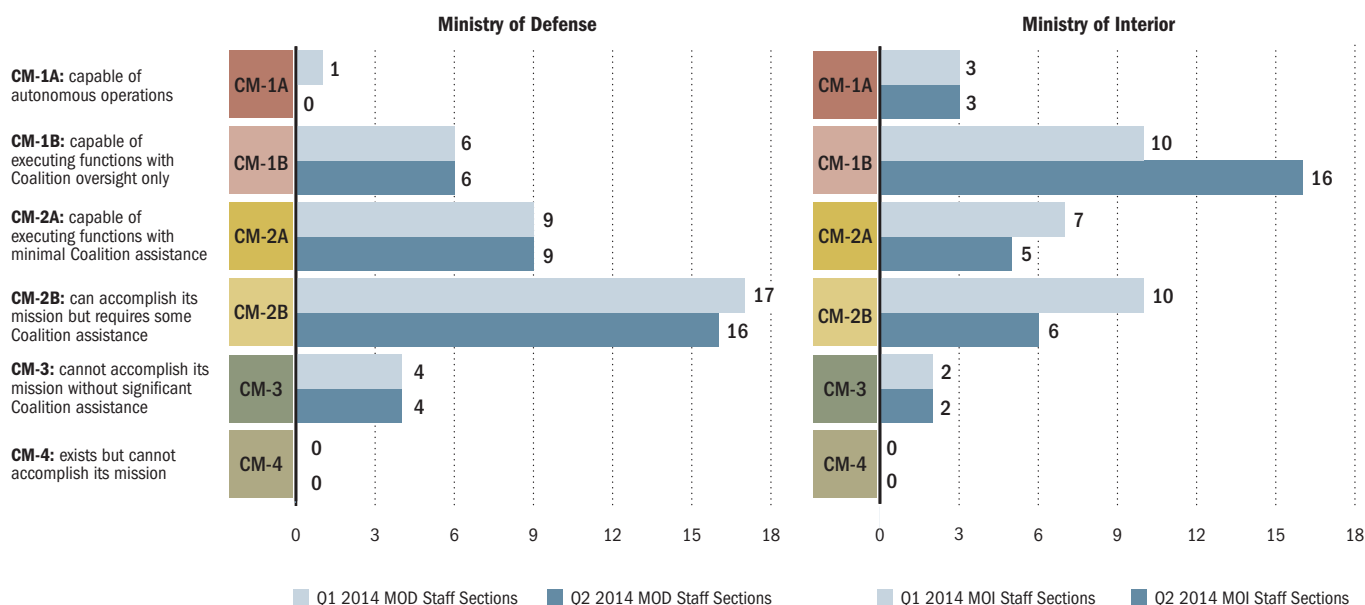
NTM-A will continue to assist, but MOD and MOI procurement advisors will take the lead for the final transition in January 2015.¹⁸⁷

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

DOD reported this quarter no improvements in developing MOD and MOI capacity to perform critical functions, as shown in Figure 3.26. To rate

FIGURE 3.26

CAPABILITY MILESTONE RATINGS OF MOD AND MOI, QUARTERLY STATUS



Note: Quarters are calendar-year.

Sources: CSTC-A, responses to SIGAR data call, 3/31/2014, 7/1/2014, and 7/3/2014.

the operational capability of these ministries, NTM-A uses the Capability Milestone (CM) rating system. This system assesses staff sections (such as the offices headed by assistant or deputy ministers) and cross-functional areas (such as general staff offices) using four primary and two secondary ratings:¹⁸⁸

- CM-1A: capable of autonomous operations
- CM-1B: capable of executing functions with Coalition oversight
- CM-2A: capable of executing functions with minimal Coalition assistance
- CM-2B: can accomplish its mission but requires some Coalition assistance
- CM-3: cannot accomplish its mission without significant Coalition assistance
- CM-4: exists but cannot accomplish its mission

This quarter, SIGAR was provided CM ratings for 35 MOD staff sections and cross-functional areas, down from 37 last quarter and 46 in quarters prior. Six offices were rated CM-1B; the others are not expected to attain this rating until after 2014. The only office that had achieved the top rating of CM-1A as of last quarter, the Communications Support Unit, did not retain that rating this quarter.¹⁸⁹

All 32 staff sections at the MOI were assessed; 10 progressed and none regressed since last quarter, according to CENTCOM. However, the projected date for three staff sections to achieve CM-1B was extended from one quarter to one year.¹⁹⁰ Three MOI staff sections are rated CM-1A: the Chief of Staff Public Affairs Office, the Deputy Minister for Security Office of the Afghan National Civil Order Police, and the Deputy Minister of Security for Force Readiness. In addition, 16 MOI staff sections have attained a CM-1B rating; an increase of six since the last reporting period.¹⁹¹

SIGAR SPECIAL PROJECT

In a Special Project report released last year, SIGAR found that CSTC-A had not conducted a comprehensive risk assessment of the capabilities of the MOD and MOI to manage and account for U.S. direct-assistance dollars, of which \$4.2 billion has been committed and nearly \$3 billion disbursed.

AFGHAN LOCAL POLICE

The Afghan Local Police (ALP) is under MOI authority and functions under the supervision of the district Afghan Uniform Police. ALP members are selected by village elders or local power brokers to protect their communities against Taliban attack, guard facilities, and conduct local counterinsurgency missions.¹⁹² As of June 1, 2014, the ALP comprised 26,698 personnel, all but 1,625 of whom were fully trained, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A). The current goal is to have 30,000 personnel in 150 districts by the end of December 2014.¹⁹³

As of June 11, 2014, nearly \$214 million of the ASFF had been obligated and expended to support the ALP. According to NSOCC-A, the ALP will cost \$121 million per year to sustain once it reaches its target strength. To date the United States has provided the ALP with 23,246 AK-47 rifles, 4,045 PKM machine guns, 2,057 light trucks, 4,950 motorcycles, and 2,686 radios.¹⁹⁴

According to NSOCC-A, between June 1, 2013, and May 31, 2014, the ALP had a retention rate of 84.5%. During that period, 691 ALP personnel quit their job, 118 were fired, and 2,038 left due to undefined administrative actions and other losses. NSOCC-A reported that 1,028 or about 4.1% of the force were killed in action.¹⁹⁵

According to an independent assessment released last quarter, public perceptions of ALP's value to community security were overall very positive: the ALP was perceived as a crucial Afghan-owned and Afghan-led institution, although with room for improvement.¹⁹⁶ Those who reported negative perceptions were usually responding to the actions of neighboring communities' ALP units. The assessment found that reports of unpaid ALP salaries rose dramatically. The unpaid ALP units were accused of predatory behavior, corruption and criminality.¹⁹⁷ The assessment, conducted by NSOCC-A and based on data provided by Eureka Research and Evaluation focus-group surveys in ALP districts, reports that future ALP success can be achieved with:¹⁹⁸

- support and supervision from the ANP
- transparent, locally-owned recruitment processes
- balanced tribal representation
- regular information exchanges between community leaders and ALP commanders

SIGAR AUDIT

SIGAR announced an audit this quarter on the Combined Joint Special Operations Task Force-Afghanistan's implementation of the Afghan Local Police program. For more information, see Section 2, page 29.

AFGHAN NATIONAL ARMY

As of June 30, 2014, the United States had obligated \$33.1 billion and disbursed \$31.9 billion of ASFF funds to build, train, and sustain the ANA.¹⁹⁹

ANA Strength

As of June 30, 2014, the overall end strength of the ANA was 188,170 personnel (181,439 Army and 6,731 Air Force), according to CSTC-A.²⁰⁰ However, as noted previously, these numbers include 9,394 ANA civilians and 253 Air Force civilians. The total is more than 96% of its combined end-strength goal of 195,000 ANA personnel. Most components increased, but the numbers of assigned personnel in the ANA's 111th Capital Division declined for a second quarter. The number of personnel in training also declined, as shown in Table 3.12 on the following page. Personnel absent without leave (AWOL) increased from 5,154 last quarter to 5,746 this quarter, but were still significantly less than the AWOL count from the last quarter of 2013 (10,292).²⁰¹

According to the DOD-commissioned independent assessment by the CNA released last quarter, "Afghanistan has a significant need for special operations forces [SOF], but the ANSF cannot support more SOF."²⁰² CNA also said "ANA SOF currently depends on the U.S. and ISAF for logistics, intelligence, and air mobility. Simply increasing the number of ANA SOF personnel without

TABLE 3.12

ANA STRENGTH, QUARTERLY CHANGE						
ANA Component	Authorized			Assigned		
	Q1 2014	Q2 2014	Quarterly Change	Q1 2014	Q2 2014	Quarterly Change
201st Corps	18,130	18,130	None	17,489	17,606	117
203rd Corps	20,798	20,798	None	20,029	22,114	2,085
205th Corps	19,097	19,097	None	17,891	18,534	643
207th Corps	14,879	14,879	None	13,806	14,204	398
209th Corps	15,004	15,004	None	14,554	14,674	120
215th Corps	17,555	17,555	None	16,310	16,999	689
111th Capital Division	9,174	9,174	None	8,921	8,356	-565
Special Operations Force	12,149	11,013	-1,136	10,458	10,649	191
Echelons Above Corps ^a	34,866	36,002	1,136	29,727	36,610	6,883
TTHS ^b	-	-	-	24,356 ^c	12,299 ^d	-12,057
Civilians	-	-	-	9,236	9,394	158
ANA Total	161,652	161,652	None	182,777	181,439	-1,338
Afghan Air Force (AAF)	7,097	7,370	273	6,513	6,478	-35
AAF Civilians	-	-	-	250	253	3
ANA + AAF Total	168,749	169,022	273	189,540	188,170	-1,370

Notes: Quarters are calendar-year; Q1 2014 data is as of 3/31/2014; Q2 2014 data is as of 5/31/2014.

^a Includes MOD, General Staff, and Intermediate Commands

^b Trainee, Transient, Holdee, and Student; these are not included in counts of authorized personnel.

^c Includes 4,701 cadets

^d Includes 5,157 cadets

Source: CSTC-A, responses to SIGAR data calls, 3/31/2014 and 7/1/2014.

“I view it as serious and so do all the commanders. I’m not assuming that those casualties are sustainable.”

—General Joseph F. Dunford

Source: ISAF Commander General Joseph F. Dunford, on casualties in the ANSF, interview with *The Guardian* (UK), 9/2/2013.

addressing these support requirements would not increase the overall capability of SOF to disrupt insurgent and terrorist networks.”²⁰³

ANA Attrition

Attrition continues to be a major challenge for the ANA. Between June 2013 and May 2014, 39,136 ANA personnel were dropped from ANA rolls. The ANA has suffered serious losses from fighting. Between March 2012 and May 2014, 2,330 ANA personnel were killed in action (KIA) and 12,696 were wounded in action (WIA).²⁰⁴ In a media interview in September 2013, General Joseph F. Dunford expressed his concern about ANSF casualties.²⁰⁵

ANA Sustainment

As of June 30, 2014, the United States had obligated \$12.5 billion and disbursed \$12.3 billion of ASFF funds for ANA sustainment.²⁰⁶

ANA Salaries, Food, and Incentives

As of June 30, 2014, CSTC-A reported that the United States had provided \$2.4 billion through the ASFF to pay for ANA salaries, food, and incentives

since FY 2008. CSTC-A also estimated the annual amount of funding required for ANA base salaries, bonuses, and incentives at \$693.9 million. Since December 21, 2013, CSTC-A no longer provides funding for food. However, CSTC-A noted that when funding was provided, it was on the basis of 100% of the ANA's authorized strength.²⁰⁷

ANA Equipment, Transportation, and Sustainment

Determining the amount and cost of equipment provided to the ANA remains a challenge. After a year of decreasing total costs for weapons procured for the ANA—a *cumulative* total that should rise rather than fall every quarter—CSTC-A reported a slight increase last quarter. This quarter, CSTC-A reported no change. Between April 2013 and December 2013, the total reported cost for weapons purchased for the ANA decreased from \$878 million to \$439 million. However in April 2014, CSTC-A reported total costs of \$461 million. The trend in total ANA weapons, vehicles, and communication equipment costs is shown in Table 3.13.

TABLE 3.13

CUMULATIVE U.S. COSTS TO PROCURE ANA EQUIPMENT (\$ MILLIONS)				
	Weapons	Vehicles	Communications	Total
April 2013	\$878.0	\$5,556.5	\$580.5	\$7,015.0
July 2013	622.8	5,558.6	599.5	6,780.9
October 2013	447.2	3,955.0	609.3	5,011.5
December 2013	439.2	4,385.8	612.2	5,437.2
March 2014	461.2	4,385.8	670.3	5,517.3
July 2014	461.2	4,385.8	670.3	5,517.3

Source: CSTC-A, responses to SIGAR data calls, 4/1/2013, 7/2/2013, 10/1/2013, 12/30/2013, 3/31/2014, and 7/1/2014.

In the past, CSTC-A has provided several explanations for the decreasing cost: a \$153 million correction in the total cost of some equipment and accounting for nearly \$102 million in donated equipment that was not U.S.-funded, an extensive internal audit that revealed double-counted equipment, and discovery of incorrect pricing during an internal audit.²⁰⁸ Moreover, CSTC-A noted that although the cost for donated weapons was not included, “the refurbishment and transportation cost of donated weapons was included because [reconstruction] funds were used.”²⁰⁹

The ongoing corrections to the cost of equipment procured raise questions about accountability for U.S. funds used to equip the ANA.

Additionally, CSTC-A reported the cost of ANA equipment remaining to be procured stands at \$89 million, unchanged from last quarter.²¹⁰

As of June 30, 2014, the United States had obligated and disbursed \$11.4 billion of the ASFF for ANA equipment and transportation.²¹¹ Most of these funds were used to purchase vehicles, weapons, and related equipment, communications equipment, aircraft, and aviation-related equipment.

SIGAR AUDITS

In an audit report released this quarter, SIGAR found that DOD needs to take actions to account for and safeguard the small arms it supplies to the ANSF. When SIGAR compared the data in the two systems DOD uses to maintain information on the weapons, it found that the databases did not always match; some records were duplicated, and some records were incomplete. For more information, see Section 2, page 24.

A SIGAR audit this quarter on ANA Mobile Strike Force Vehicles (MSFV) found that the security environment limited the contractor from providing training and maintenance services; U.S. government oversight personnel had limited ability to visit MSF brigade locations outside Kabul; an absence of spare parts hindered vehicle operability; a need for MSF vehicle operator training; and difficulties with ANA supply-chain ordering and distribution of spare parts. For more information, see Section 2, page 26.

More than 79% of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Table 3.14.

TABLE 3.14

COST OF U.S.-FUNDED ANA WEAPONS, VEHICLES, AND COMMUNICATION EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$461,197,802	\$32,055,904
Vehicles	4,385,763,395	8,260,489
Communications	670,307,101	48,810,799
Total	\$5,517,268,298	\$89,127,192

Source: CSTC-A, response to SIGAR data call, 7/1/2014.

The United States has also procured \$1.6 billion in ammunition for the ANA and \$7.1 billion worth of other equipment and supplies to sustain the ANA. According to CSTC-A, this latter amount was determined by subtracting the cost of weapons, vehicles, communications equipment, and ammunition from overall equipment and sustainment costs.²¹²

SIGAR INSPECTION

SIGAR has initiated an inspection of the U.S.-funded construction of the MOD headquarters to determine if construction is being completed in accordance with contract requirements and if any occupied portions of the headquarters are being properly maintained and used as intended.

ANA Infrastructure

As of June 30, 2014, the United States had obligated \$6.1 billion and disbursed \$5.2 billion of the ASFF for ANA infrastructure.²¹³ At that time, the United States had completed 316 infrastructure projects (valued at \$4.1 billion), with another 56 projects ongoing (\$1.1 billion) and 9 planned (\$168.5 million), according to CSTC-A.²¹⁴

As with last quarter, the largest ongoing ANA infrastructure projects this quarter were brigade garrisons for the 2nd Brigade/201st Corps in Kunar (at a cost of \$115 million), the 3rd Brigade/205th Corps in Kandahar (\$91 million), and the 1st Brigade/215th Corps in Helmand (\$87 million).²¹⁵ In addition, two projects were awarded this quarter at a cost of \$19 million, 17 projects were completed at a cost of \$325 million, and one contract worth \$59 million was terminated.²¹⁶

According to CSTC-A, the projected operations-and-maintenance (O&M), sustainment, restoration, and minor-construction cost for ANA infrastructure for FY 2015 through FY 2019 is now \$168 million a year, or a total of \$840 million.²¹⁷

According to DOD, the MOD Construction Program Management Division's ability to plan, design, contract, and execute new construction is limited to \$20 million per year until greater capacity is demonstrated.²¹⁸

ANA and MOD Training and Operations

As of June 30, 2014, the United States had obligated and disbursed \$3.1 billion of the ASFF for ANA and MOD operations and training.²¹⁹ Aside from literacy training discussed previously in this section, the other training

includes English-language training, explosive ordnance, and mobile strike force vehicle (MSFV) training. Earlier in this reporting period, 280 students completed MSFV training; 260 students currently are in training, and an additional 20 students are scheduled to begin class. During this reporting period, 173 students attended explosive-ordnance training.²²⁰ The MSFV and explosive-ordnance training contract is \$42.4 million for May through December 2014, bringing the total contract cost to date to \$287.3 million.²²¹

Women in the ANA and Afghan Air Force

Women currently make up less than 1% of the ANA, despite the current recruitment and retention goal, last published in September 2013, for 10% of the force to be women. To achieve this goal, the ANA has waived a requirement that the recruitment of women be balanced among Afghanistan's various ethnic groups. Additionally, assignment locations are being reviewed to pinpoint locations with accommodation for females, such as separate restrooms. The ANA Recruiting Command also airs commercials on local television stations targeting women beginning 20 days before training classes.²²²

CSTC-A stated the Coalition believes that by having more women in the ANSF, men will learn to accept and respect women in the workplace. The involvement of families and communities is critical to recruiting women. CSTC-A has requested funding for media advertisements and programming to educate the Afghan public about the need for women to join the army and police.²²³

This quarter, the ANA reported to CSTC-A that 711 women serve in the ANA: 663 in the Army and 48 in the Air Force. Of those, 272 are officers, 268 are non-commissioned officers (NCOs), 69 are enlisted, and 102 are cadets. However, according to CSTC-A, Coalition advisors cannot validate these numbers and assume they include civilians. CSTC-A noted that by the end of Solar Year 1393 (March 20, 2015), MOD is expected to modify the way personnel are counted to reflect only active-duty military personnel and not civilians.²²⁴

The ANA's 12-week Basic Warrior Training course includes a class on behavior and expectations of male soldiers who work with ANA women. The Afghan Independent Human Rights Commission conducts two-day seminars for the ANSF that include training in eliminating violence against women.²²⁵

The National Defense Authorization Act for FY 2014, Pub. L. 113-66, authorizes \$25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and treatment of women in the ANSF.²²⁶

Afghan Air Force

This quarter, the NATO Air Command-Afghanistan (NAC-A) reported the Afghan Air Force has 95 aircraft, excluding aircraft "no longer in service

SIGAR ALERT LETTER

SIGAR's preliminary review of an audit of AAF capability to absorb additional equipment indicates DOD's plan is to provide two more C-130 aircraft that may not be needed or sustainable. SIGAR reported its concern to DOD, CENTCOM, ISAF, and NTC-A. For more information, see Section 2, page 21.

TABLE 3.15

U.S. FUNDING TO SUPPORT AND DEVELOP THE AFGHAN AIR FORCE, 2010–2015 (\$ THOUSANDS)						
Funding Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 (request)
Equipment and Aircraft	\$461,877	\$778,604	\$1,805,343	\$111,129	\$2,300	\$21,442
Training	62,438	187,396	130,555	141,077	164,187	123,416
Sustainment	143,784	537,650	571,639	469,230	520,802	780,370
Infrastructure	92,200	179,600	113,700	53,000	0	0
Total	\$760,299	\$1,683,250	\$2,621,237	\$774,436	\$687,289	\$925,228

Sources: DOD, Budget Fiscal Year (FY) 2012, Justification for FY 2012 Overseas Contingency Operations Afghanistan Security Forces Fund, 2/2011, pp. 8, 19, 30, and 44; DOD, Budget Fiscal Year (FY) 2013, Justification for FY 2013 Overseas Contingency Operations Afghanistan Security Forces Fund, 2/2012, pp. 5, 13, 19, and 32; DOD, Budget Fiscal Year (FY) 2014, Justification for FY 2014 Overseas Contingency Operations Afghanistan Security Forces Fund, 5/2013, pp. 5, 11, 20, and 37; DOD, Budget Fiscal Year (FY) 2015, Justification for FY 2015 Overseas Contingency Operations Afghanistan Security Forces Fund, 6/2014, pp. 10, 24, 26, and 29.



Helicopter flying over Zabul Province.
(Photo by Alan B Bell)

(crashed)” and eight Mi-17 helicopters that are on loan to Afghanistan’s Special Mission Wing (SMW).²²⁷

The United States has a considerable investment in the Afghan Air Force. Between FY 2010 and FY 2012 alone, the United States provided more than \$5.8 billion to support and develop the 6,731-person Afghan Air Force, including over \$3 billion for equipment and aircraft. In addition, DOD requested an additional \$1 billion, including \$23.7 million for equipment and aircraft, in FYs 2014 and 2015 for the Afghan Air Force. However, the majority of the funding is being requested for sustainment and training, as shown in Table 3.15.

According to CENTCOM, the Afghan Air Force inventory consisted of 102 aircraft:²²⁸

- 58 Mi-17 transport helicopters (includes eight on loan to the SMW)
- 26 C-208 light transport planes
- Six C-182 fixed wing training aircraft
- Five MD-530F rotary-wing helicopters
- Five Mi-35 attack helicopters
- Two C-130H medium transport aircraft

Beginning in the fourth quarter 2015, the first of 20 A-29 Super Tucanos, a light attack aircraft for counterinsurgency, close air support, and aerial reconnaissance, will be delivered: four a year in 2015, 2016, and 2017; and eight in 2018.²²⁹ The SMW provides intelligence, surveillance, and reconnaissance (ISR) capability to support counterterrorism and counternarcotics operations, and is the only ANSF unit to be night-vision goggle-qualified for air-assault and fixed-wing ISR capability.²³⁰ The SMW can support one air-assault operation per week and one partnered reconnaissance mission per day with no impact on developmental training. During the period from April 1–June 11, 2014, the SMW executed 39 non-training missions.²³¹

A 2013 SIGAR audit found that DOD was moving forward with a \$771 million purchase of aircraft for the SMW that the Afghans could not operate or maintain.²³²

In July, a Taliban attack on Kabul International Airport damaged two SMW helicopters and destroyed President Karzai's helicopter. The aircraft were not occupied at the time. The same month a suicide bomber killed eight members of the Afghan Air Force when he attacked an Afghan military bus.²³³

According to the CNA independent assessment released last quarter, "Afghanistan has a significant need for air support, but the [Afghan Air Force] cannot support more air power than is currently planned." CNA also noted that the Afghan Air Force is "struggling to find sufficient numbers of qualified recruits to grow to its planned size" and "even if additional recruits are found, only a small number could be fully trained by 2018."²³⁴



The first C-130 manned by an all-Afghan aircrew flew from Kabul to Kandahar and back on June 16, 2014. (U.S. Air Force photo)

AFGHAN NATIONAL POLICE

As of June 30, 2014, the United States had obligated \$16.5 billion and disbursed \$15.9 billion of ASFF funds to build, equip, train, and sustain the ANP.²³⁵

ANP Strength

This quarter, the overall strength of the ANP totaled 152,123 personnel, including 113,385 Afghan Uniform Police (AUP), 21,667 Afghan Border Police (ABP), 12,731 Afghan National Civil Order Police (ANCOP), 4,313 students in training, and 27 "standby" personnel awaiting assignment.²³⁶ Of the 113,385 personnel in the AUP, 28,092 were MOI headquarters staff or institutional support staff, an increase of 5,530 staff over last quarter.²³⁷ Overall, the ANP's authorized strength increased 3,323 since last quarter, as shown in Table 3.16.

According to CSTC-A, the MOI, unlike the ANA, does not report ANP personnel who are on leave, AWOL, sick, or on temporary assignment in its

TABLE 3.16

ANP STRENGTH, QUARTERLY CHANGE						
ANP Component	Authorized			Assigned		
	Q1 2014	Q2 2014	Quarterly Change	Q1 2014	Q2 2014	Quarterly Change
AUP ^a	115,527	122,644	+7,117	109,184 ^b	113,385 ^c	+4,201
ABP	22,955	23,573	+618	21,616	21,667	+51
ANCOP	14,518	13,106	-1,412	14,477	12,731	-1,746
NISTA	6,000	3,000	-3,000	5,916	4,313	-1,603
Standby ^d	-	-	None	2,076	27	-2,049
ANP Total	159,000	162,323	3,323	153,269	152,123	-1,146

Notes: Q1 2014 data as of 2/2014; Q2 2014 data as of 5/2014; AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; NISTA = Not In Service for Training.

^a Includes MOI headquarters and institutional support and CNPA personnel.

^b Includes 22,562 MOI headquarters and institutional support personnel.

^c Includes 28,092 MOI headquarters staff.

^d Personnel that are pending assignment.

Sources: CSTC-A, response to SIGAR data calls, 3/31/2014; DCOM MAG, responses to SIGAR vetting, 4/10/2014 and 4/11/2014.

personnel reports. For this reason, the actual operational capability of the ANP is not known.²³⁸

ANP Sustainment

As of June 30, 2014, the United States had obligated \$6.1 billion and disbursed \$6 billion of ASFF funds for ANP sustainment.²³⁹ This includes \$1.34 billion that the United States has contributed to the Law and Order Trust Fund for Afghanistan (LOTFA) to support the ANP.²⁴⁰

ANP Salaries

From 2008 through June 30, 2014, the U.S. government had provided \$1.34 billion, paid through the LOTFA, to pay ANP salaries, food, and incentives (extra pay for personnel engaged in combat or employed in specialty fields), CSTC-A reported.²⁴¹

According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require an estimated \$521.2 million per year to fund salaries (\$275 million) and incentives (\$246.2 million). This is a decrease from earlier estimates as food costs are no longer covered by CSTC-A.²⁴²

ANP Equipment, Transportation, and Sustainment

As of June 30, 2014, the United States had obligated and disbursed \$3.6 billion of ASFF funds for ANP equipment and transportation.²⁴³ Most of these funds were used to purchase weapons and related equipment, vehicles, and communications equipment.²⁴⁴ More than 83% of U.S. funding in this category was for vehicles and vehicle-related equipment, as shown in Table 3.17.

TABLE 3.17

COST OF U.S.-FUNDED ANP EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$187,251,477	\$4,093,066
Vehicles	1,966,075,183	3,744,582
Communications Equipment	211,062,672	544,573
Total	\$2,364,389,332	\$8,382,221

Source: CSTC-A, response to SIGAR data call, 7/1/2014.

This quarter, CSTC-A reported no change in the total cost of the weapons, vehicles, communications equipment, and ammunition procured for the ANP. As with the ANA, determining the cost of equipment provided to the ANP remains a challenge. CSTC-A reporting in this area has been inconsistent, raising questions about visibility and accountability for U.S. funding used to procure equipment for the ANP. For example, CSTC-A's estimate of the total cost of U.S.-funded ANP weapons procured decreased from \$369 million in October 2013 to \$137 million in December 2013.²⁴⁵ At the time, CSTC-A said the decrease in total cost was due to actual, contracted

SIGAR INQUIRY

SIGAR sent a follow-up letter this quarter to CSTC-A expressing concern that some ANP salary payments are at risk of diversion because not all salaries are paid via the "mobile money" electronic-transfer program. See Section 2, page 42.

equipment pricing being lower than estimated pricing.²⁴⁶ Then CSTC-A said the following quarter's increase was "caused by inclusion of weapons procured through [alternative] funding vehicles."²⁴⁷ The cumulative cost of equipment—a figure which should only go up or stay the same—has declined since July 2013, although the total cost this quarter did not change from last quarter.

While CSTC-A's estimate of the total cost of vehicles procured for the ANP has decreased since last year, the total cost this quarter did not change from the last two quarters.²⁴⁸

The United States has also procured \$366 million in ammunition for the ANP and \$1.5 billion worth of other equipment and supplies to sustain the ANP. According to CSTC-A, this latter amount was determined by subtracting the cost of weapons, vehicles, communications equipment, and ammunition from overall equipment and sustainment costs.²⁴⁹

ANP Infrastructure

As of June 30, 2014, the United States had obligated \$3.3 billion and disbursed \$2.9 billion of ASFF funds for ANP infrastructure.²⁵⁰ At that time, the United States had completed 669 infrastructure projects (valued at \$3.2 billion), with another 59 projects ongoing (\$345 million), and three planned (\$42 million), according to CSTC-A.²⁵¹

This quarter, three projects valued at \$3 million were awarded, 32 projects valued at \$167 million were completed, and eight valued at \$28 million were terminated.²⁵² The largest ongoing ANP infrastructure projects were a building and utilities (\$34.3 million) at the MOI Headquarters, an ANCP patrol station in Helmand (\$28.5 million), and an AUP provincial headquarters in Kandahar (\$25 million).²⁵³

According to CSTC-A, the projected annual operations and maintenance, sustainment, restoration, and minor construction cost for ANP infrastructure for FY 2015 through FY 2019 ranges from \$131–147 million (\$655–735 million over five years), an increase over the \$98–102 (\$485 million total) last reported.²⁵⁴

CSTC-A noted that any estimated post-transition costs are based on current capacity levels and do not take into account any future policy decisions that could affect cost estimates.²⁵⁵

ANP Training and Operations

As of June 30, 2014, the United States had obligated \$3.5 billion and disbursed \$3.4 billion of the ASFF for ANA and MOD operations and training.²⁵⁶ Since January 1, 2014, the NATO Trust Fund has paid the cost for all ANSF literacy training. Additionally, Japan has assumed the cost of most of the police academy training in Turkey formerly funded by the United States. Aside from the literacy training discussed on page 97, English language training is the only remaining course funded by the ASFF this fiscal year. According to NTM-A,

SIGAR INQUIRY

In FY 2011, CSTC-A requested border-patrol boats for the ANP. CSTC-A canceled the \$3 million procurement when the boats were nearly finished. The boats remain in Virginia, accruing storage costs while awaiting disposition. For more information, see Section 2, pages 44–47.

the number of ANSF (both ANA and ANP) students enrolled in English language training this quarter is 2,539, of which 88% completed training. However, the percentage of students who graduated with an English comprehension-level score required for follow-on training was only 12%.²⁵⁷

Women in the ANP

As in prior quarters, the number of women in the ANP is increasing, but the ANP is far from reaching its goal of 5,000 women by the end of 2014. Women still make up only 1% of the force. This quarter, ANP personnel included 1,971 women—280 officers, 826 NCOs, and 865 enlisted personnel—according to CSTC-A.²⁵⁸ This is an increase of 228 women since last quarter and 767 women since August 22, 2011.²⁵⁹

CSTC-A said the ANP is focused on finding secure workplaces with appropriate facilities for women and developing strategies to attract and retain qualified female recruits.²⁶⁰

However, according to CSTC-A, the Minister of Interior recently signed off on a plan that would emphasize achieving the goal of 5,000 women in the ANP by the end of solar year 1393 (March 20, 2015). CSTC-A supports the MOI's efforts by providing advisors on the recruitment and training of women. This advising has focused on recruiting and enrolling women in "safe units in order to prevent much of the abuse and harassment that has been reported by international agencies."²⁶¹

In addition, Coalition advisors have created an ANP training curriculum on human, gender, and child rights. As of this quarter, 25,059 ANP personnel have received that training, the same number as last quarter.²⁶² A CSTC-A gender advisor is working with the director of education on a course that will cover topics such as eliminating violence against women, international criteria for human rights, and self-defense for women in law enforcement.²⁶³

As noted previously, the National Defense Authorization Act for FY 2014, Pub. L. 113-66, provides \$25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and treatment of women in the ANSF.²⁶⁴

ANSF MEDICAL/HEALTH CARE

As of March 31, 2014, the United States had funded construction of 176 completed ANSF medical facilities valued at \$155 million, with an additional 11 projects ongoing valued at \$15 million.²⁶⁵ This quarter, an additional hospital valued at \$21 million was completed. Another four facilities or expansions valued at over \$8.5 million are in progress.²⁶⁶

This quarter, IJC reported the ANSF health-care system had 959 physicians, a decrease of seven. Of these, 559 were assigned to the ANA and 400 were assigned to the ANP, which reflects an increase of 45 for the ANP. The ANA has a shortage of 182 physicians and the ANP a shortage of 112.²⁶⁷ The

ANSF also had 1,843 nurses, physicians' assistants, and other medical personnel, reporting a shortage of 497 positions.²⁶⁸

IJC reports both the ANA and ANP need support in forecasting medical supplies needed using historic and consumption data. The ANP plans to provide clinics with a standard list of items to be stocked, develop a regional logistic system for solar year 1394, and develop a standard operating procedure for outfitting ambulances with equipment.²⁶⁹

REMOVING UNEXPLODED ORDNANCE

Since FY 2002, the U.S. Department of State (State) has provided more than \$283 million in funding for weapons destruction and demining assistance to Afghanistan, according to its Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA).²⁷⁰ Through its Conventional Weapons Destruction program, State funds five Afghan nongovernmental organizations (NGOs), five international NGOs, and a U.S. government contractor. These funds enable clearance of areas contaminated by explosive remnants of war (ERW) and support removal and destruction of abandoned weapons that insurgents might use to construct IEDs.²⁷¹

During the reporting period, the Mine Action Coordination Centre of Afghanistan added former U.S. firing ranges to their database of contaminated areas in Afghanistan. Consequently, the reporting metrics for this report show an increase in remaining contaminated area of approximately 100 million square meters or nearly 39 square miles since 2013.²⁷² (See Table 3.18.)

As of March 31, 2014, State-funded implementing partners have cleared more than 154 million square meters of land and removed or destroyed approximately 7.8 million land mines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and home-made explosives.²⁷³ PM/WRA defines a minefield as the area contaminated by land mines, whereas a contaminated area can include both land mines and other ERW.²⁷⁴

SIGAR AUDIT

SIGAR conducted a financial audit last year of several Department of State grants for demining activities to Afghan Technical Consultants (ATC). The audit covered money spent between April 2007 and August 2012 totaling over \$13.4 million. ATC reported clearing over 2 million square meters of land, which it achieved through the location and demolition of antipersonnel and antitank mines, unexploded ordnance and fragments. The audit found no concerns with the financial statements, findings from prior audits, or assessments for follow-up or corrective action. The report did identify six internal-control weaknesses and five compliance findings. It also uncovered \$200,000 in unsupported costs and nearly \$9,000 in interest earned from revenue advances not remitted to State.

TABLE 3.18

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1, 2013–MARCH 31, 2014

Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m ²)	Estimated Contaminated Area Remaining (m ²)
1/1-3/31/2013	1,984	100,648	105,553	3,722,289	7,978,836	552,000,000
4/1-6/30/2013	1,058	18,735	49,465	1,079,807	5,586,198	537,000,000
7/1-9/30/2013	1,243	21,192	98,306	1,673,926	4,229,143	521,000,000
10/1-12/31/2013	8,211	2,460	54,240	3,064,570	5,729,023	518,000,000
1/1-3/31/2014	1,780	254,734	245,380	262,750	5,473,170	638,400,000
Total	14,276	397,769	552,944	9,803,342	28,996,370	638,400,000

Notes: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition. Fragments are reported because their clearance requires the same care as for other objects until their nature is determined.

Source: State, PM/WRA, response to SIGAR data call, 6/30/2014.

Comprehensive third-quarter FY 2014 reports are not yet available. Quarterly reports are generally available one month after the end of each quarter; thus, the third quarter FY 2014 (covering April 1, 2014, through June 30, 2014) will be published in SIGAR's upcoming quarterly report (October 2014).²⁷⁵

COUNTERNARCOTICS

As of June 30, 2014, the United States has provided approximately \$7.6 billion for counternarcotics efforts in Afghanistan since 2002. Congress appropriated most of these funds through the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$2.93 billion), the ASFF (\$1.31 billion), the Economic Support Fund (\$1.42 billion), and \$1.76 billion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account. In addition to reconstruction funding, the Drug Enforcement Administration (DEA), receives funding through direct appropriations to operate in Afghanistan. These appropriations fund DEA salaries and expenses in Afghanistan.²⁷⁶ (See Appendix B.)

U.S. drug-control policy has shifted in recent years from eradication to interdiction and agricultural-development assistance that aims to provide farmers with alternative livelihoods.²⁷⁷ Eradication activities predominantly occur under the Governor Led Eradication (GLE) and the Good Performer's Initiative (GPI) programs. Interdiction activities fall under the Ministry of Counter Narcotics (MCN), which shares responsibilities with the MOI, the MOD, and the Ministry of Public Health (MOPH). The Counternarcotics Justice Center (CNJC), in partnership with the Combined Joint Interagency Task Force-Nexus (CJITF-N) and the Interagency Operations Coordination Center (IOCC), also assist in combating the illicit drug trade. The Counter Narcotics Police of Afghanistan (CNPA) conducts interdiction operations with DOD and ISAF elements providing training and support.²⁷⁸

The latest United Nations Office of Drugs and Crime (UNODC) World Drug Report notes that for the third consecutive year, Afghanistan, already the world's largest producer and cultivator of opium poppies, saw an increase in the area under cultivation (from 154,000 hectares in 2012 to 209,000 hectares in 2013)—a 36% increase.²⁷⁹ However, UNODC's estimate for 2013 was higher than the U.S. government's estimate of 198,000 hectares under poppy cultivation for that year.²⁸⁰ The report also notes that Afghan heroin is increasingly reaching new markets, such as Oceania and South West Asia, that had been traditionally supplied from South East Asia.²⁸¹ USAID funds agriculture and alternative-livelihood programs to counteract farmers' dependence on opium-poppy cultivation; these programs are discussed in the Economic and Social Development section of this report on page 170.

The drawdown of Coalition personnel has impacted interdiction results, particularly in southern regions of the country. The reduced troop presence

limited the number of joint operations between Coalition and Afghan forces or U.S. drug-enforcement personnel and Afghan forces.²⁸² Similarly, poppy eradication decreased this year since security forces were diverted from that effort to assist with election security.²⁸³ Opium-cultivation results are not yet available, but final results will likely exceed last year's all-time record. According to the United Nations, more land is being cultivated with poppy in 2014 than in 2013 in Helmand, Afghanistan's chief opium-producing province.²⁸⁴

Drug Use in Afghanistan

The UNODC's April 2014 study of drug use shows that consumption of heroin and other opiates has far-reaching consequences on Afghan society. Drug use leads to domestic violence, impedes children's progress in school, and is a problem in most Afghan communities.²⁸⁵

Between 2005 and 2009, consumption of heroin and other opiates doubled. The total number of heroin users was estimated at 120,000, a 140% increase since 2005. Approximately 8% of 15 to 64 year-olds are drug users, twice the global average.²⁸⁶ Among drug users interviewed:

- nearly 80% were male²⁸⁷
- 56% said they did not attend school, 19% attended primary school, and 2% attended university²⁸⁸
- 40% were 10–24 years old, 42% were 25–39 years old, and 15% were 40–54 years old²⁸⁹
- 64% indicated they had been unemployed for the previous year²⁹⁰

Governor Led Eradication Program

INL funds the Afghan government's GLE Program. The MCN, in partnership with UNODC, is responsible for verifying poppy cultivation and eradication.²⁹¹ GLE occurs at different times of the year depending on the climate of the province, according to INL. Cumulative results are tracked by the MCN, and subjected to UNODC verification on a rolling basis. A significant amount of the eradication in the southern provinces begins late in the second quarter and is completed early during the third quarter of the fiscal year.²⁹²

According to INL, the Afghan government's eradication target for 2014 is 22,500 hectares.²⁹³ Eradication began early March 2014 in Helmand and continued as of late June 2014. Verified eradication, conducted in 12 provinces, reached 2,796 hectares as of July 2, 2014, compared to 7,348 hectares eradicated for the entire year of 2013.²⁹⁴ The Afghan government attributed the decrease in GLE in part to the elections taking place during the eradication season in certain provinces. Security forces detailed to the elections were not available to assist with operations. Coordination between ministries to organize GLE efforts was also hampered by the elections and an approved plan was not issued until late in the season, limiting its effectiveness. INL noted that political will at the national and provincial level is necessary for the GLE program to be effective.²⁹⁵

INL told SIGAR that GLE is a tool that is most effective when combined with a long-term, multifaceted approach, integrated with broader efforts to support good governance and sustainable economic growth.²⁹⁶ Total GLE eradication results at year-end will likely be significantly lower than the previous year. According to the late May MCN eradication report, operations will no longer occur in provinces where opium has already been harvested (Farah, Herat, Kabul, and Nimroz) and were concluded in several provinces including Helmand and Kandahar—two of the largest poppy cultivating provinces.²⁹⁷

Good Performer's Initiative

INL also supports the MCN's efforts to achieve and sustain poppy-free provinces through the GPI. Under the current terms of the GPI program, a province is eligible for \$1 million in GPI development projects for each year that it achieves poppy-free status, according to INL. INL told SIGAR that the GPI program incentivizes continued counternarcotics performance in the year ahead.²⁹⁸ It also shows provincial leadership and citizens that there are tangible benefits to countering poppy cultivation, and it reinforces the writ of the government in the province, district, and community.²⁹⁹

Since the start of the GPI program in 2007, 215 development projects have either been completed or are in process in all 34 of Afghanistan's provinces; these projects include school construction, road and bridge projects, irrigation structures, farm machinery projects, and hospital and clinic construction. INL is currently collaborating with the MCN to redesign the GPI program to encourage greater action on counternarcotics and provide greater support for rural alternative livelihoods.³⁰⁰ Alternative-livelihood programs such as the Kandahar Food Zone are discussed in the Economic and Social Development section of this report on page 172.

As of May 31, 2014, a total of 215 GPI projects with a value of \$106.6 million had been approved. Of those, 115 were completed, 96 were ongoing, and four were nearing completion.³⁰¹ Based on third-party audit recommendations, GPI changed its practice of using a flat conversion rate of 1 U.S. dollar to 50 afghanis (AFN), to using the actual conversion rate on the day of the project bid, per Da Afghanistan Bank's official website. The total value of GPI projects in prior quarterly reports is therefore not directly comparable to the values in this report.³⁰²

Demand Reduction

During this quarter, INL signed a commitment letter at a stakeholders' meeting with the MCN, the MOPH, the **Colombo Plan**, and local Afghan NGOs operating treatment programs. The signed document ensures the transition of INL-supported treatment centers to MOPH authority.³⁰³ This quarter, INL provided support for clinical-staff training, treatment services, and outpatient and village-based demand-reduction programs, while continuing to

Colombo Plan: The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific was instituted as a regional intergovernmental organization to further economic and social development of the region nations. It was conceived at a conference held in Colombo, Sri Lanka, in 1950 with seven founding-member countries and has expanded to 26 member countries. INL continues to support the Colombo Plan's Asian Centre for Certification and Education of Addiction Professionals, a training unit of treatment experts to assist governments in developing a professional-certification process for addiction professionals in Asia and Africa.

Sources: The Colombo Plan Secretariat website, History, <http://www.colombo-plan.org>; INL, *International Narcotics Control Strategy Report: Volume I Drug and Chemical Control*, 3/2013, p. 20.

implement a transition plan to transfer 13 treatment programs to Afghan authorities. INL supports 76 treatment programs.

The transition plan includes building staff capacity and promoting continued cooperation between the MCN and MOPH. INL said it seeks to create uniformity among the treatment centers nationwide and help incorporate existing Afghan treatment professionals into the Afghan government civil service. Under the plan, treatment programs will transition to the Afghan government as INL support to programs slowly decreases over the coming years.³⁰⁴

Counter Narcotics Community Engagement

INL also funds the Counter Narcotics Community Engagement (CNCE) program, which assists the Afghan government in combating the production, trafficking, and use of narcotics in Afghanistan through periodic communication and outreach campaigns in targeted provinces. CNCE, implemented through Sayara Media Communications, targets farmers through national and local public awareness and media campaigns in opium poppy-growing areas. Sayara monitors the effectiveness of media campaigns through target audience analysis reports, including a baseline report to identify provincial drivers of drug trafficking and cultivation, and public sentiment about narcotics.³⁰⁵

Sayara also conducts geographic information system mapping in partnership with a contractor and has 42 observers placed in all provinces, which are ranked in tiers based on cultivation levels. The observers gather information on and gauge perceptions of the counternarcotics message campaigns. Sayara also conducts monthly media monitoring, assesses how counternarcotics media products fit into the current Afghan media landscape, and evaluates counternarcotics-related items in the media. Sayara and the CNCE program operate throughout the nation; in some areas where the program operates cultivation has decreased, according to INL.³⁰⁶ INL said the CNCE program will eventually transition to the MCN as a result of capacity-development efforts.³⁰⁷

Aga Khan Foundation Grant

From September 2010 through May 2014, INL provided assistance to local governance institutions to shift six provinces in central and northern Afghanistan away from growing poppies and toward licit livelihoods under a two-phase grant with the Aga Khan Foundation (AKF) at a cost of \$6 million. According to INL, the project benefitted over 32,100 participants, including 8,776 women, through training workshops for agricultural management, organizational capacity, good governance, budgeting, and participatory planning. The project also enabled district and provincial officials to connect with members of **community-based savings groups** and other community groups. INL told SIGAR it is currently finalizing a new grant

Community-based savings groups:

provide sustainable access to credit and savings for the most vulnerable members of rural communities, particularly in areas lacking formal credit mechanisms through financial institutions. Participants are mobilized to self-select and form self-led savings groups that voluntarily contribute every month to a loan fund. Group members can access the loan fund to invest in public goods, businesses, or emergency needs. Each year, savings are paid out in full to all members and each individual may choose to reinvest. In the interim, groups can decide to grant small loans to individual members and recoup the credit with interest.

Source: State, INL, response to SIGAR vetting, 7/11/2014.

with the AKF that will build upon its past subnational governance work in a third phase of activities, and expand to 16 provinces across Afghanistan, including poppy-cultivating provinces in the South.³⁰⁸

South Asian Association for Regional Cooperation (SAARC):

fosters economic and political cooperation among member nations. Its founding charter was signed in December 1985 by Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan joined in 2007.

The Istanbul Process: Launched in 2011, the process enables discussion between Afghanistan and its neighbors in order to enhance political, economic and security cooperation. Over 20 nations and organizations along with the United States provide support on issues such as counterterrorism, counternarcotics, poverty and extremism.

The Paris Pact: The partnership of several countries and international organizations to combat illicit opium traffic from Afghanistan. It originated from a meeting of various ministers held in Paris in 2003 on central Asian drug routes. It aims at reducing opium poppy cultivation, production and global consumption of heroin and other opiates, and at the establishment of a broad international coalition to combat illicit traffic in opiates.

Sources: SAARC website: "About SAARC, Charter" <http://www.saarc-sec.org/> accessed, 7/16/2014; State, Bureau of South and Central Asian Affairs Factsheet, "US Support for the Istanbul Process, 4/29/2013; Paris Pact, website "What is it?" <https://www.paris-pact.net>, accessed, 7/16/2014.

Ministry of Counter Narcotics Capacity Building Program

The MCN and INL signed the MCN Capacity Building Program/Advisor Support memorandum of understanding on February 18, 2014. The program, which was renewed for 18 months, provides funding for 24 local and national advisors and helps build the MCN's capacity. INL has implemented a performance measuring plan to track and evaluate the program's effectiveness.³⁰⁹ According to INL, this process not only helps stakeholders monitor the success of the advisor-support program, but also improves the MCN human resources department's employee-evaluation practices. In addition, this quarter INL coordinated and completed installation of information technology for the MCN's provincial offices. INL also enhanced MCN security by installing two new security towers and procuring communication equipment and metal detectors.³¹⁰ During this quarter, the MCN hosted a conference to launch a new integrated regional and international counternarcotics policy with the participation of ambassadors from several countries in the region, including Russia.³¹¹ The policy lays out a framework for working through existing mechanisms and processes such as the **South Asian Association for Regional Cooperation (SAARC)**, the **Istanbul Process**, and the **Paris Pact**, to achieve regional and international cooperation. INL told SIGAR that the Afghan government used the conference to launch the new policy with its regional partners.³¹²

Effect of the Coalition Drawdown on Counternarcotics Operations

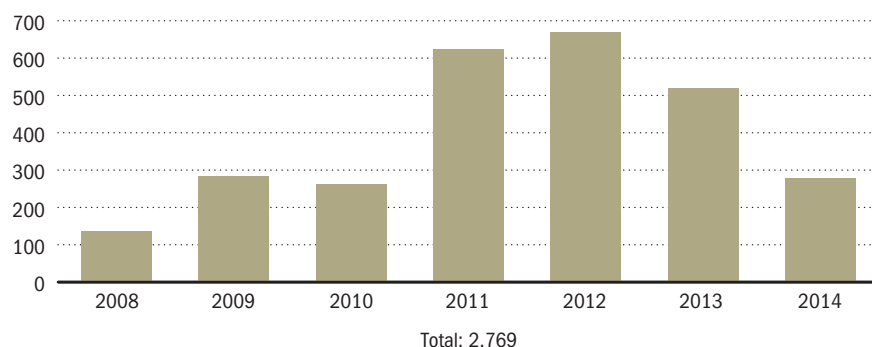
According to DOD, the drawdown of Coalition forces has hurt the CNPA and other Afghan counternarcotics agencies. The number of operations has been declining since 2012, as shown in Figure 3.27. According to the Consolidated Counterdrug Database:³¹³

- Counternarcotics operations decreased 17% (624 in FY 2011 at the height of the ISAF surge to 518 in FY 2013)
- Heroin seizures decreased 77% (10,982 kg in FY 2011 to 2,489 kg in FY 2013)
- Opium seizures decreased 57% (98,327 kg in FY 2011 to 41,350 kg in FY 2013)

The impact has been most pronounced in Helmand and Kandahar—the focus of the Coalition surge and subsequent withdrawal. Vetted counternarcotics units like the Intelligence and Investigation Unit, the Sensitive Investigative Unit (SIU), Technical Investigative Unit, and the National Interdiction Unit (NIU) have also suffered from the drawdown, most

FIGURE 3.27

INTERDICTION OPERATIONS, 2008-2014



Note: Fiscal year.

Source: DOD, response to SIGAR data call, 7/9/2014.

significantly by losing access to ISAF-provided enablers.³¹⁴ These vetted units are critical to U.S. counternarcotics efforts in Afghanistan.³¹⁵ According to INL, U.S. drug-enforcement personnel may not be able to participate in operations in certain areas due to a reduction in ISAF capability including ISAF Special Operations Forces (SOF).³¹⁶

The decrease in overall counternarcotics missions was likely the result of reduced partnering of ISAF with Afghan forces conducting counternarcotics operations. According to DOD, the majority of current Afghan seizures are a result of routine police operations near population centers or transportation corridors, such as at checkpoints or border crossings.

Drug labs, storage sites, and major trafficking networks are concentrated in rural areas that are increasingly off-limits to Afghan forces due to the ISAF drawdown and declining security in these areas. Despite the marked decreases in drug seizures, DOD told SIGAR that the Afghan counternarcotics units have shown increased ability over the past year to successfully conduct complex drug investigations and operations without Coalition assistance.³¹⁷

Interdiction Operations

DOD reported that from April 1, 2014, to June 30, 2014, Afghan security and law-enforcement forces conducted 57 drug-interdiction operations resulting in the detention of 88 individuals during the third quarter of this fiscal year. To date, 375 individuals have been detained this fiscal year (168 detainees during the first quarter and 119 detainees during the second quarter).³¹⁸ These operations included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. Afghan

Precursor chemical: substance that may be used in the production, manufacture and/or preparation of narcotic drugs and psychotropic substances.

Source: UNODC, "Multilingual Dictionary of Precursors and Chemicals," 2009, p. viii.

operations during this period also resulted in the seizures of the following narcotics contraband:³¹⁹

- 6,464 kg of opium
- 931 kg of heroin
- 11 kg of hashish/marijuana
- 34 kg of precursor chemicals

According to DOD, most interdiction activities occurred in southern and southwestern Afghanistan, where the majority of opiates are grown, processed, and smuggled out of the country. Almost all U.S. interdiction activities partnered with Afghan forces as ISAF continued its drawdown during this reporting period. U.S. forces conducted six unilateral operations resulting in the detention of one individual and the seizure of 96 kg of opium and 0.5 kg of heroin. Interagency elements, including the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC), continued to support combined Afghan and ISAF interdiction efforts. Both CJIATF-N and IOCC integrated data from military and law enforcement sources to enable operations against corrupt narco-insurgent elements. All operations were coordinated with and received support from U.S. and Coalition military commanders on the ground.³²⁰

Special Counternarcotics Police Units

During the quarter, INL provided mentors and advisors to develop the capability and independence of the specialized Afghan units and provided various types of support at NIU/SIU facilities. INL also developed plans to draw down U.S. government support to the Regional Law Enforcement Center in Herat. According to INL, SIU engaged in 14 law-enforcement operations the first quarter of 2014 and performed 25 counternarcotics-related arrests.³²¹

Interdiction Results

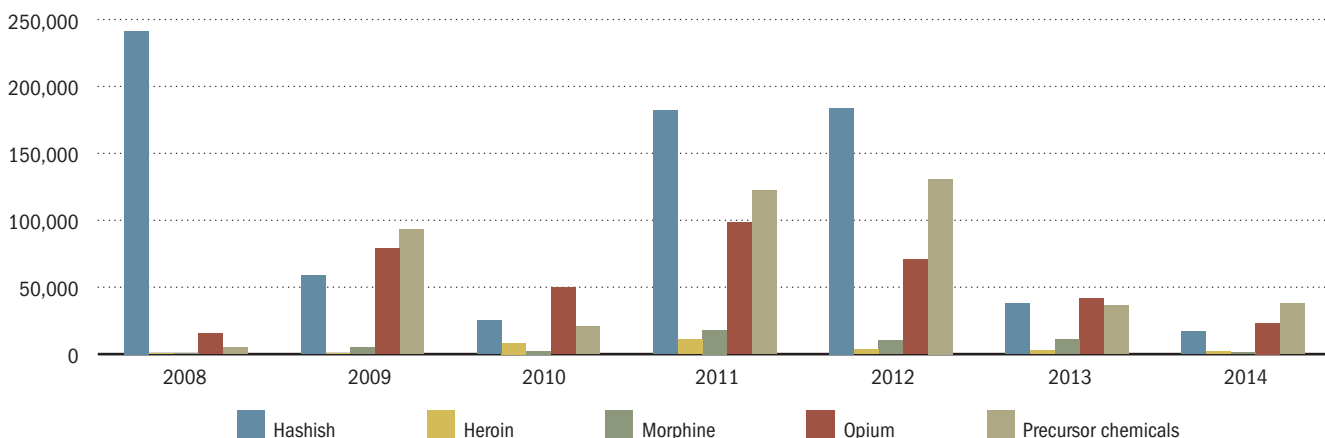
Since 2008, a total of 2,769 Afghan and Coalition interdiction operations have resulted in 2,865 detentions and seizure of the following narcotics contraband:³²²

- 746,040 kg of hashish
- 378,231 kg of opium
- 48,105 kg of morphine
- 28,289 kg of heroin
- 445,205 kg of precursor chemicals

However, as shown in Figure 3.28, seizures have been declining since 2012.

FIGURE 3.28

DRUG SEIZURES, 2008–2014 (KILOGRAMS)



Note: Fiscal year.

Sources: DOD, response to SIGAR data call, 7/9/2014.

Aviation Support

During this reporting period, Department of State aircraft provided a total of 200.5 flight hours, conducted 135 sorties, moved 1,105 passengers, and transported 36,812 pounds of cargo.³²³ According to INL, counternarcotics support to DEA consisted of 18.7 flight hours supporting intelligence, surveillance, and reconnaissance missions, 31.5 flight hours supporting interdiction efforts, and 69 flight hours supporting Afghan NIU and DEA passenger movements.

INL also noted that DEA support included 16.5 hours of flight training. DEA flight hours are lower this quarter due to Embassy designation of no-fly days because of the Afghan elections.³²⁴ INL maintains an air wing at Kandahar Airfield with dedicated helicopters supporting DEA missions in southern Afghanistan.³²⁵

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GOVERNANCE

As of June 30, 2014, the United States had provided nearly \$30.6 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$17.5 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department and the United States Agency for International Development (USAID).³²⁶

KEY EVENTS

On June 14, Afghanistan held a second round of presidential elections between Abdullah Abdullah (who received 45% of validated votes in the first round) and Ashraf Ghani (who received 31.6%).³²⁷ Unlike the first round, in which the leading presidential candidates largely accepted the results, the Abdullah campaign contested the reports of voter turnout estimates and accused the Afghan election bodies of massive fraud.³²⁸ The outgoing Special Envoy for Afghanistan and Pakistan, Ambassador James Dobbins, was quoted saying the “election impasse at the moment is serious and could present a real danger of a division in the country.”³²⁹

On July 12, Secretary of State John Kerry, along with candidates Abdullah and Ghani, announced the terms of an agreement to overcome the impasse. The terms included:

- Within 24 hours of the announcement, an audit examining each of the ballots cast in the runoff election would begin;
- The International Security Assistance Force (ISAF) would be responsible for transporting ballot boxes from the provinces to Kabul;
- The ballots would be secured by ISAF and the Afghan National Security Forces (ANSF);
- The auditing process would be internationally supervised in accordance with a proposal from the United Nations Mission in Afghanistan (UNAMA) and with the participation of the two presidential campaigns; and
- Both candidates would commit themselves to abiding by the results and forming a “government of national unity.”³³⁰



Secretary of State Kerry raises hands with Afghan presidential candidates Ghani, center, and Abdullah, right, in Kabul, July 12, 2014, after announcing agreement on a plan to resolve the disputed election outcome. (State Department photo)

Both Abdullah and Ghani stated that they had agreed to a framework for a national unity government.³³¹ The following day, however, each candidate's campaign offered differing interpretations: Abdullah's spokesmen proposed a "shared government" with an executive prime minister who would be appointed by presidential decree, while Ghani's spokesmen stated that the losing candidate can participate in the new government "through legal ways" but that the details would be negotiated after the presidential winner is announced.³³² Abdullah's first-vice-presidential running mate was quoted saying that the teams had agreed to form a coalition government in which the losing candidate will serve as a chief executive for two years after which a constitutional amendment will change the chief executive to a premier. Ghani's second-vice-presidential running mate, however, has responded that "the perception that the winner should be the president or the loser chief executive is a wrong and extrajudicial perception."³³³

The inauguration of the new president was scheduled to take place on August 2, 2014, but due to the comprehensive audit of run-off ballots, UNAMA requested that the inauguration be delayed.³³⁴ A summary of the preliminary results appears in Table 3.19.

Also this quarter, USAID said there will be no new reviews of the Tokyo Mutual Accountability Framework (TMAF) intermediate "hard deliverables" targets for Afghan progress.³³⁵ According to the United Nations Secretary-General, the TMAF serves as the agreed instrument of civilian development assistance to Afghanistan.³³⁶ The United States and international partners are developing a new set of targets for the future implementation of TMAF that will be discussed with the new post-election government. According to USAID, the process of finalizing these new targets will likely continue through the international conference on Afghanistan tentatively planned for November in London and into early 2015.³³⁷

TABLE 3.19

PRELIMINARY RESULTS OF THE JUNE 14 PRESIDENTIAL RUN-OFF ELECTION

Name of Candidate	Number of Votes	Percent
Ashraf Ghani	4,485,888	56.44
Abdullah Abdullah	3,461,639	43.56
Total Votes	7,947,527	

Source: Independent Election Commission, "Runoff Presidential Election Preliminary Results," 7/7/2014.

ELECTIONS

Afghanistan held its first round of presidential elections on April 5. None of the presidential candidates secured a majority of votes cast, triggering a legal requirement for a second, runoff election.³³⁸

According to the Independent Election Commission (IEC), of the 6,423 planned polling centers for the April 5 round of voting, 6,124 actually opened.³³⁹ The United Nations Secretary-General reported that the Afghan public and media reacted positively to the performance of the national security forces in securing the first round, despite threats from the Taliban. International partners also praised the army and police.³⁴⁰

Afghanistan held the second round of presidential voting on June 14. On election day, the IEC Chairman Yousaf Nuristani announced that approximately seven million Afghans voted in the second round, up from 6.6 million validated votes from the first round.³⁴¹ For the June 14 runoff voting, 6,365

polling centers planned to be open, and 6,223 actually opened.³⁴² According to the National Democratic Institute (NDI), a nongovernmental organization funded by USAID to support the Afghan election process, Afghans came out in large numbers to participate in the country's first presidential runoff election.³⁴³ Members of the Free and Fair Election Forum of Afghanistan (FEFA), the Transparent Election Foundation of Afghanistan (TEFA), the Afghanistan Youth National and Social Organization (AYNSO), the Afghanistan National Participation Organization (ANPO), the New Line Organization (NLO), and domestic monitoring groups were present on June 14 in most polling stations. Collectively, these monitoring groups deployed more than 18,000 observers and covered all 34 provinces with most reporting that their monitors were able to access stations and observe polling activities without hindrance.³⁴⁴

On July 7, the IEC announced that preliminary results showed presidential candidate Ashraf Ghani with 56.4% and Abdullah Abdullah with 43.6% of the vote. According to the IEC, 8.1 million votes were cast—over one million more than the seven million originally estimated. This was an increase of approximately 1.5 million votes over the number of validated votes from the first round.³⁴⁵ Following the announcement, Abdullah's first-vice-presidential candidate described the results as a “coup” against voters and said Abdullah's team had the right to form a government. This was reiterated by the governor of Balkh Province, who said the results pave the ground for “massive protests to the formation of a parallel government.”³⁴⁶

The United States called on both presidential campaigns to remain calm. President Obama called Abdullah on July 7 and Ghani on July 8 to caution that any move toward violence or extra-constitutional measures would endanger financial and security assistance from the United States.³⁴⁷ Secretary of State John Kerry also issued a public statement that “any action to take power by extra-legal means will cost Afghanistan the financial and security support of the United States and the international community.”³⁴⁸ State also called on the Afghan electoral bodies to address all credible allegations of fraud through a thorough audit “whether or not the two campaigns agree.”³⁴⁹

On July 11, Secretary Kerry met with President Karzai, Ghani, and Abdullah in Kabul to discuss the elections impasse.³⁵⁰ According to Secretary Kerry, “the election legitimacy hangs in the balance [and the] future potential of a transition hangs in the balance.”³⁵¹

On July 12, Secretary Kerry announced that all the ballots cast in the run-off were to be audited following procedures proposed by UNAMA with the winning candidate forming a national-unity government following the audit.³⁵² The current IEC audit checklist was enhanced to include the following UNAMA recommendations to review:

- ballots which are obviously similarly marked



Agents for the Abdullah and Ghani campaigns look over ballot boxes from Balkh Province before the boxes are loaded onto an ISAF aircraft for transport to Kabul. (U.S. Army photo)



Secretary of State Kerry sits with Afghan presidential candidates Abdullah Abdullah, left, and Ashraf Ghani, right, at the U.S. Embassy in Kabul, Afghanistan, on July 12, 2014. (State Department photo)

- evidence of tampering with the results sheet and coherence with the number of ballots in the box
- comparison of the results sheet copy with that processed in the national tally centre
- information on the polling station journal and list of voters

Moreover, ballot boxes will receive particular attention from international and domestic observers and agents when they register results that, according to best international practices, require special scrutiny (for example, when there are significant differences between first-and second-round tallies).³⁵³

The audit began on July 17 and the IEC estimated that the runoff audit would take three weeks.³⁵⁴

Accusations of Fraud

Fraud was a concern during the first round of presidential voting (see pages 123–125 of the April 2014 *Quarterly Report to Congress* for more information), but the runoff has proven even more controversial. Starting on the evening of the runoff, the Abdullah campaign began contesting the IEC's initial voter turnout estimates and later accused the Afghan elections bodies of participating in massive fraud.³⁵⁵ Domestic elections observers also questioned IEC reports of high turnout. According to Radio Free Europe, FEFA and TEFA reported that turnout was down compared to the first round, while fraud was up. TEFA head Naeem Ayubzada called the IEC's turnout

figures of seven million voters “inflated,” as estimated turnout was between five and six million, and said that the number of votes from several eastern provinces exceeded each province’s entire adult population. He concluded that “the increase in numbers was due to fraud.”³⁵⁶

A focal point of controversy was the IEC Head of the Secretariat, Zia ul-Haq Amarkhail. On the day of the runoff, the Kabul chief of police accused Amarkhail of misconduct after police stopped Amarkhail’s staff with unused ballots in their vehicles. According to the IEC Chairman, Amarkhail dispatched extra ballots to rectify a ballot shortage residents had protested.³⁵⁷ Later, the Abdullah campaign released a series of audio recordings that they claim show Afghan government officials, including Amarkhail, colluding to commit or allow for fraud. The recordings purport to document Amarkhail discussing plans to stuff ballots, a provincial governor advising an Afghan army officer not to interfere with fraud, and Amarkhail and another provincial governor discussing how to deal with an Afghan army officer who detained IEC officials on charges of ballot stuffing.³⁵⁸ Abdullah’s campaign also released a video they claim showed ballot stuffing in Paktika Province.³⁵⁹

A day after the first recordings were released, Amarkhail resigned and later left the country. In a reversal from his previous defense of his IEC colleague, the head of the IEC expressed his views regarding Amarkhail by stating, “if Amarkhail was not involved in election fraud, he would not have escaped from the country.”³⁶⁰ Amarkhail returned to Afghanistan to reject accusations of a plot to escape and the validity of the audio recordings. He said he had resigned to allow the process to go forward and called on the Electoral Complaints Commission (ECC) to investigate the claims against him.³⁶¹

On June 18, Abdullah announced that he had cut off ties with the Afghan election commissions and withdrew his observers. He also accused President Karzai of not remaining neutral during the runoff.³⁶² He later participated in protests in Kabul that reportedly involved thousands of people.³⁶³

During the preparation for the June 14 runoff, the deputy head of UNAMA warned that, “the worst-case scenario would be if the election is both polarising and the results are not accepted by one of the candidates—that has the potential to lead to conflict.”³⁶⁴

As of July 3, the IEC has detected enough suspicious data to conduct a country-wide audit of 1,930 polling stations. However, the European Union Election Assessment Team Afghanistan (EU EAT) reported that the number of problematic polling stations from the runoff election could well exceed 6,000 out of a total of 22,828.³⁶⁵ On July 10, the European Union team expressed concern that only 135 polling stations, out of 2,229 problematic polling stations, were excluded from the announced preliminary results following an “unsatisfactory, hasty, audit conducted at provincial level” that “was not sufficient to identify proxy voting, ballot stuffing, early shortages



An election worker in Herat prepares to issue a ballot to a voter. (USAID photo)



A policeman hangs a results list at a polling center in Kabul. (USAID photo)

of ballot papers, and other illegal acts or unusual events.” Additionally, the IEC had invalidated 90% fewer problematic elections stations than in the first round. EU EAT recommended that an additional two million to four million votes should be further investigated.³⁶⁶

Approximately 375,000 votes were invalidated from the first round on April 5, down from the 1.2 million votes declared fraudulent in the 2009 presidential election.³⁶⁷ Between the first and second rounds, the IEC announced that 5,388 (of 100,000) elections staff from 525 polling stations across the country were blacklisted for misconduct and around 440 were fired for underperformance in the first round. Because of a lack of evidence, referral to the judiciary is still pending. Most of the affected staff held lower positions within the electoral administration.³⁶⁸

Election Security

According to the EU EAT, security challenges increased in the second round of voting.³⁶⁹ The most prominent security incident occurred on June 6, when two suicide bombers attacked the convoy of presidential candidate Abdullah Abdullah in the west of Kabul. Abdullah was unharmed, but 13 civilians were killed and 43 others were injured.³⁷⁰ According to NDI, there were fewer security incidents on June 14 compared to previous elections, but more incidents than on April 5. The IEC reported 130 security incidents on June 14, along with the deaths of six IEC officials. Major Afghan cities, including Kabul, experienced attacks in the early hours of polling day—a tactic meant to intimidate and prevent voters from going to the polls. However, NDI observers and domestic monitoring groups noted that these attacks did not deter Afghans from participating in significant numbers.³⁷¹

Domestic monitoring groups reduced the geographic coverage of their elections monitoring during the runoff due to insecurity in the first round. This may impact the elections-complaint process since both the IEC and ECC relied upon the information provided by these domestic monitoring groups to invalidate ballots.³⁷² Also on election day, two of 173 health clinics and 45 of 3,546 educational facilities designated as polling locations were affected by election-related violence. According to the UN, this represents a two-thirds reduction in the number of incidents compared with 2009.³⁷³

To improve security as well as increase female voter turnout, the Ministry of Interior (MOI), with financial support from the United States and Republic of Korea, recruited and trained up to 13,000 female volunteers to serve as subsidized personnel to conduct body searches of female voters. According to DOD, the Afghan government was able to recruit and deploy sufficient female searchers for the April 5 election to cover 70% of open polling centers with polling stations for women.³⁷⁴ According to State, anecdotal reports indicated an adequate female searcher presence during the runoff.³⁷⁵ Deploying women to search female voters was important because Afghan custom forbids men to touch unrelated women. The goal of this project was to prevent women with weapons—or men disguised as women—from entering polling places to conduct attacks.³⁷⁶ State contributed \$1.7 million to this \$3.7 million project via the United Nations Development Programme's (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA).³⁷⁷

U.S. Support for the Elections

The U.S. government funded programs providing technical support, outreach, and deployment of domestic and international observers to help the Afghan government hold credible, inclusive, and transparent elections.³⁷⁸

USAID contributed \$55 million to the UNDP Enhancing Legal and Electoral Capacity for Tomorrow-Phase II (ELECT II) to help the Afghan electoral management bodies by providing technical assistance to the IEC, the ECC, and the Media Commission (MC). Additionally, UNDP ELECT II develops the capacity of the electoral management bodies to administer elections on its own for future elections cycles. UNDP ELECT II is supported through a multilateral “basket fund” that includes funding from at least a dozen other donor countries. For instance, the United Kingdom, the European Union, Italy, Germany, France, Netherlands, Sweden, Denmark, Norway, and Japan contributed the remainder of the \$129 million that ELECT II estimated was necessary to support the elections.³⁷⁹

USAID supported election-observation missions through awards to three organizations: NDI via the Supporting Political Entities and Civil Society (SPECS) program; Democracy International (DI); and the Organization for Security and Co-operation in Europe (OSCE). SPECS awarded sub-grants to four Afghan civil society organizations to deploy approximately 2,200



An Afghan National Army (ANA) officer shows his vote-confirming inked finger at a polling center in Kabul. (USAID photo)

GOVERNANCE

TABLE 3.20

USAID PROGRAMS INTENDED TO SUPPORT THE 2014 PRESIDENTIAL AND PROVINCIAL COUNCIL ELECTIONS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/30/2014 (\$)
Afghan Civic Engagement Program (ACEP)*	12/04/2013	12/03/2018	\$70,000,000	\$4,996,608
Enhancing Legal and Electoral Capacity for Tomorrow (ELECT) II	9/28/2013	9/27/2014	55,000,000	11,821,602
Electoral Reform and Civic Advocacy (AERCA)	7/7/2009	12/31/2015	38,702,682	29,831,936
Supporting Political Entities and Civil Society (SPECS)	7/7/2013	7/6/2016	18,000,000	7,542,077
International Election Observation (NDI)	2/1/2014	8/1/2014	4,000,000	2,342,783
International Election Observation (DI)	2/1/2014	8/1/2014	3,999,925	3,092,937
Peaceful Elections Campaign**	9/10/2013	9/30/2015	3,000,000	451,496
Election Support Team to Afghanistan (OSCE)	2/20/2014	7/15/2014	1,500,000	1,500,000

Notes:

*ACEP programming that contributed to the April and June 2014 elections cost approximately \$1.4 million.

**As of March 25, 2014. These disbursements do not reflect operational expenditures.

Source: USAID, responses to SIGAR data call, 6/30/2014 and 7/10/2014.

domestic elections observers.³⁸⁰ NDI also deployed 100 NDI Afghan staff to observe the runoff elections at 312 polling stations in 26 provinces.³⁸¹ According to USAID, the DI International Election Observation program deployed 16 international observers for the first round and eight international observers for the second round.³⁸²

USAID further supported the elections through the Initiative to Promote Afghan Civil Society (IPACS II) and the Afghan Civic Engagement Program (ACEP) as well as the Peaceful Election Campaign (PEC). IPACS II and ACEP contributed to the elections through small-grant support to civil society and media partners for conducting civic-education activities, get-out-the-vote-out election awareness sessions, distributing election-related publications, and radio and television advertisements. IPACS II ended on March 31, 2014, and spent approximately \$800,000 in support of the election while ACEP spent approximately \$1.4 million.³⁸³ PEC supported a “Vote for Peace” elections campaign using community-outreach events such as athletics and poetry, as well as a multi-media program using radio, television, and the Internet to increase voter turnout, reduce violence and raise awareness that future peace and stability in Afghanistan requires a peaceful transfer of power.³⁸⁴

A summary of USAID programs that supported the 2014 elections appears in Table 3.20.

The International Security Assistance Force (ISAF) provided limited direct support to the Afghan elections including aerial transportation of sensitive election material from Kabul to regional, provincial, and district hubs at the request of the IEC. ISAF unilaterally delivered and retrieved election materials in seven districts and provided aerial security to the Afghan Air Force for the delivery and retrieval of elections materials in 12 districts.³⁸⁵

NATIONAL GOVERNANCE

The United States provides assistance to Afghan governing institutions to build capacity to perform critical services and thereby increase their legitimacy in the eyes of the Afghan population in two ways: through contracts, grants, and cooperative agreements, and increasingly, through on-budget assistance. In this final year of the security transition, the U.S. government is particularly focused on increasing the financial and program-management capabilities of Afghan government institutions. It is using a combination of capacity building and on-budget programs to achieve this end.³⁸⁶

According to the UN Secretary-General's Special Representative for Afghanistan, the Tokyo Mutual Accountability Framework (TMAF) serves as a cornerstone of international engagement and is the agreed instrument for deploying civilian development assistance in Afghanistan. The international community and Afghan government agreed to the TMAF at the Tokyo Conference of Donors in July 2012. Later the TMAF was augmented with intermediate targets for the Afghan government and the international community called "hard deliverables," such as the passage of a mining law.³⁸⁷

Last quarter, SIGAR reported on the progress of TMAF "hard deliverables." (See pages 127–129 of the April 2014 *Quarterly Report to Congress* for more information.) A Special Joint Coordination and Monitoring Board (JCMB) meeting was held on January 29, 2014, to assess TMAF progress and to formulate guidance in anticipation of a new Afghan government following the elections.³⁸⁸ According to USAID, the JCMB meeting was the final opportunity for reviewing the existing set of hard deliverables. The United States temporarily extended the window for passage of a mining law to April 16, 2014, but the window closed before the government passed the law.³⁸⁹

This quarter USAID reported that it is working with interagency and international partners to develop a new set of targets for the future implementation of TMAF to be discussed with the new government, once the election is resolved and a new president takes office. According to USAID, the process of finalizing these new targets will likely continue through the international conference on Afghanistan tentatively planned for November in London and into early 2015.³⁹⁰

On-Budget Assistance

To improve governance and align development efforts with Afghan priorities, international donors at the 2010 London Conference committed to increase the proportion of development aid delivered on-budget through the Afghan government to at least 50%. The donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference.³⁹¹

According to USAID, although most nonsecurity donor contributions to the Afghan government are to the development budget and intended to be spent on development project activities, in practice, the provision of donor funding for a particular purpose can free Afghan government funds that

The U.S. and Afghan governments have differing ways of measuring U.S. progress toward fulfilling its commitments to provide more funding through the Afghan government budget. USAID says the Afghan government only considers funds “on budget” when they are disbursed (when money has actually been spent), while USAID counts commitments and obligations (when the donor reserves the funds for a specific purpose but money has not been spent) as on-budget support.

Sources: USAID, OPPD, response to SIGAR data call, 12/30/2013 and USAID, *U.S. Foreign Assistance for Afghanistan: Post Performance Management Plan 2011–2015: Annex VIII – Assistance Objective 8: Increased Management Effectiveness of G/RoA Institutions*, 10/2010, p. 7.

would have otherwise been expended for that particular item. This means that donor funding can, in effect, provide the Afghan government with the budgetary latitude to prioritize and redistribute its own funding based on its most pressing needs, including to cover recurrent costs such as salaries.³⁹²

USAID provides on-budget assistance through bilateral agreements with seven Afghan government entities and through contributions to two multi-donor trust funds: the Afghanistan Reconstruction Trust Fund (ARTF) and the Afghanistan Infrastructure Trust Fund (AITF).³⁹³ According to USAID, all bilateral-assistance funds are deposited in a separate bank account established by the Ministry of Finance expressly for each program.³⁹⁴ The ARTF, administered by the World Bank, provides funds to both the Afghan government’s operating and development budgets in support of Afghan government operations, policy reforms, and national priority programs.³⁹⁵ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.³⁹⁶ According to USAID, the majority of on-budget funding has been and will continue to be directed through the multi-donor trust funds, particularly the ARTF.³⁹⁷

DOD provides on-budget assistance to the Afghan government through (1) direct contributions to the Ministry of Defense (MOD) and the MOI and (2) through contributions to a multi-donor trust fund called LOTFA. LOTFA, administered by the UNDP, primarily funds the Afghan National Police (ANP) salaries.³⁹⁸ Direct-contribution funding is also provided to the Ministry of Finance, and later allotted incrementally to the MOD and MOI, as required.³⁹⁹ According to DOD, the Combined Security Transition Command-Afghanistan (CSTC-A) has several mechanisms for monitoring U.S. direct contributions to the Afghan budget for the Afghan security forces. CSTC-A uses a bilateral-commitment letter to ensure that the Afghan government understands the terms and conditions for proper utilization of CSTC-A funds (including purpose, time, and amount) and the possible consequences of improper use of funds.⁴⁰⁰

As shown in Table 3.21, USAID expects to spend \$986 million dollars on direct bilateral assistance. It also expects to contribute almost \$1.9 billion to the ARTF and more than \$180 million to the AITF.⁴⁰¹ DOD expects to spend approximately \$2.09 billion through the LOTFA.⁴⁰²

According to USAID, the actual disbursement of funds through bilateral on-budget programs is slower than either side would like. USAID has attributed the low budget-execution rate to limited Afghan government capacity and the risk-mitigation measures USAID applies to on-budget assistance.⁴⁰³ The Afghan Minister of Finance was recently quoted saying that donors have not released funding to the Afghan government, creating “a major hole in [the Afghan government’s] development budget.”⁴⁰⁴

CSTC-A’s assessment is that once funds enter the Afghan government’s bank account, oversight becomes significantly more challenging.⁴⁰⁵

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TABLE 3.21

ON-BUDGET PROGRAMS							
Project/Trust Fund Title	US Government Agency	Afghan Government On-Budget Partner	Special Bank Account?	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 06/30/2014 (\$)
Bilateral, Government-to-Government Projects*							
Power Transmission Expansion and Connectivity Project (PTEC)	USAID	Da Afghanistan Breshna Sherkat (DABS)	Yes	12/5/2012	12/31/2016	\$342,000,000	\$5,306,141
Partnership Contracts for Health Services (PCH) Program	USAID	Ministry of Public Health (MOPH)	Yes	7/20/2008	1/31/2015	236,455,840	181,207,908
Sheberghan Gas Development Project (SGDP)	USAID	Ministry of Mines and Petroleum (MOMP)	Yes	5/26/2012	4/30/2015	90,000,000	0
Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)	USAID	DABS	Yes	4/30/2013	12/31/2015	75,000,000	5,593,727
Agriculture Development Fund (ADF)	USAID	Ministry of Agriculture, Irrigation and Livestock (MAIL)	Yes	7/18/2010	12/31/2014	74,407,662	54,000,000
Basic Education and Literacy and Vocational Education and Training (BELT) - Community-Based Education	USAID	Ministry of Education (MOE)	Yes	8/25/2013	8/25/2017	56,000,000	0
Civilian Technical Assistance Program (CTAP)	USAID	Ministry of Finance (MOF)	Yes	9/30/2009	9/30/2014	36,256,560	28,810,610
Afghanistan Workforce Development Project (AWDP)	USAID	MOE	Yes	7/31/2013	7/31/2017	30,000,000	0
Basic Education and Literacy and Vocational Education and Training (BELT) - Textbooks Printing	USAID	MOE	Yes	11/16/2011	12/31/2014	26,996,813	21,955,403
Civil Service Reform Support	USAID	Independent Administrative Reform and Civil Service Commission (IARCSC) and MOF	Yes	10/30/2011	7/31/2014	15,000,000	13,000,000
E-Government Resource Center (EGRC)	USAID	Ministry of Communications and Information Technology (MOCIT)	Yes	8/28/2013	6/1/2016	3,900,000	0
Multi-Donor Trust Funds							
Law and Order Trust Fund for Afghanistan (LOTFA)	DOD	Ministry of Interior	No	2008	2024	\$2,086,000,000	\$1,160,700,000
Afghanistan Reconstruction Trust Fund (ARTF) (current award)**	USAID	Multiple	No	3/31/2012	3/31/2017	1,900,000,000	604,829,100
Afghanistan Infrastructure Trust Fund (AITF)	USAID	Multiple	No	3/7/2013	3/6/2018	180,000,000	105,000,000

Notes:

*Does not include DOD direct contribution funds.

**USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements.

Sources: USAID, OPPD, response to SIGAR data call, 6/30/2014; CSTC-A, response to SIGAR data call, 7/1/2014.

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Currently, CSTC-A direct contributions are pooled with all sources of Afghan government revenues (including other donor nations and domestic revenues) deposited in the single treasury account of the central bank. According to CSTC-A, this approach has the advantage of simplicity and provides the Afghan government flexibility, but requires additional effort from CSTC-A to reconcile the reported use of funds.⁴⁰⁶ CSTC-A is exploring the option of using a separate bank account, such as those used by USAID. CSTC-A notes that whereas USAID funds programs that are focused or limited-duration with significant USAID involvement in procurement and execution, CSTC-A direct contributions support multiple MOD and MOI requirements and are primarily executed by the Afghan government.⁴⁰⁷

Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries' ability to prepare, manage, and account for on-budget assistance. SIGAR's January 2014 audit of USAID's assessments of seven Afghan ministries receiving on-budget assistance from the U.S. government found that none of these assessments and reviews identified a ministry capable of effectively managing and accounting for funds without implementing risk-mitigation measures.⁴⁰⁸ As shown in Table 3.22, programs include USAID's \$31 million Leadership, Management, and Governance Project that aims to strengthen Afghanistan's financial-management systems and the capacity of the Ministry of Public Health and the Ministry of Education to meet requirements set at the 2010 Kabul International Conference for increased on-budget aid.⁴⁰⁹ USAID is also funding the \$15 million Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE) project, which among other things assists the ministry to improve its financial management, as required for future on-budget assistance.⁴¹⁰

National Assembly

According to State, the Afghan legislative branch remains weak in comparison to the executive, but members of parliament appear to be trying to strengthen their hand vis-a-vis the executive branch. However, staffing

TABLE 3.22

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/30/2014 (\$)
Leadership, Management, and Governance Project	Ministry of Public Health Ministry of Education	9/25/2011	9/24/2016	\$ 32,000,000	\$22,826,010
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2017	23,455,326	4,067,868
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2015	5,000,000	2,955,012

Source: USAID, responses to SIGAR data call, 7/10/2014 and 7/13/2014.

struggles, corruption, and low levels of education and experience continue to plague the body.⁴¹¹

The major legislation passed this quarter included the Anti-Money Laundering Law, signed into law by President Karzai on June 25.⁴¹² The lower house of parliament passed the Access to Information Law three years after its submission.⁴¹³ The law, which prevents government officials from refusing to provide information to journalists and the public, is now with the upper house. Civil-society organizations have stated that the law will be the first of its kind in Afghanistan's history and could noticeably lower the scale of corruption in the country.⁴¹⁴ In May, the lower house also passed a new law to regulate the mining sector.⁴¹⁵

Parliament also held hearings involving several Afghan government ministers on topics including university entrance exams, flood relief, women's issues, crime, the execution of Afghans in Iran for drug smuggling, electronic identification (*e-taskera*), and narcotics eradication and treatment.⁴¹⁶

In May, neither house of parliament could conduct much business because a majority of representatives were absent. For example, the *Meshrano Jirga* (the upper house) failed to achieve a quorum, with only 30% participation in both plenary and commission sessions during one of the weeks. In May, the *Wolesi Jirga* (the lower house) achieved quorum only twice in two weeks. Many parliamentarians were reportedly in the provinces to contest vote counting from the recent provincial council elections and participate in the presidential runoff campaign.⁴¹⁷ According to a report by Tolo News, the Wolesi Jirga's Administrative Committee found that absenteeism is a major impediment to the parliament's functioning and members of the lower house are taking more leave than the 15 days allotted every four months.⁴¹⁸

USAID funds the \$23.5 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan's parliament operate as an independent and effective legislative, representative, and oversight body.⁴¹⁹ In the last quarter, ALBA focused on initiatives to help members of parliament and their staff to improve their capacity. ALBA supported the Parliamentary Anticorruption Caucus, worked with the 21 members of parliament to draft amendments to the Access to Information Law and Anticorruption Law, and contributed amending language to the Mining Law and Procurement Law.⁴²⁰

According to USAID, the greatest institutional-capacity shortfall of parliament that ALBA needs to address is lack of subject-matter expertise in both houses of parliament to properly analyze specialized legislation. Although the secretariats of both houses have researchers and legal experts, these individuals are not always qualified to carry out these duties and serve as resources to the members of parliament.⁴²¹ An ALBA review of parliament's research and budget staff found that capacity is extremely low and that parliamentarians do not consider the staff's work valuable.

Parliament's current research and budget staff reportedly are not up-to-date on various policy issues and reforms—including program budgeting, provincial budgeting, and the medium-term fiscal and budget framework—used to prepare the annual budget. According to the review, despite reforms that increased salaries and aimed for more competitive recruitment, nepotism continued to undercut internal research capacity as incumbent unqualified staff were re-recruited.⁴²²

SUBNATIONAL GOVERNANCE

The United States government supports initiatives at the subnational level to give Afghans a greater stake in their own government. The goal is to make local government more visible, accountable, and responsive to the Afghan people, particularly in the south and east, where the insurgency has been tenacious.⁴²³

This quarter, DOD reported that the Village Stability Operations (VSO), a bottom-up counterinsurgency strategy aimed at connecting local governance to the Afghan district and national government, has ended.⁴²⁴ The VSO initiative originally had three primary components: local governance, development, and security. The Afghan Local Police (ALP) program, originally the security component of VSO, is the only remaining portion.⁴²⁵ According to DOD, although VSO has ended, some remnants of the VSO remain at the district and provincial levels in support of the ALP program. The district and provincial elements will complete their mission by October 31, 2014.⁴²⁶ SIGAR reported last quarter on the challenges DOD faced in assessing the impacts of VSO on Afghan governance. See pages 132–143 of the April 2014 *Quarterly Report to Congress* for more information.

Rural Stabilization Programs

USAID has several stabilization programs aimed at helping the Afghan government extend its reach into unstable areas and build local governance capacity. These programs include USAID's four Stability in Key Areas (SIKA) projects, the two Community Cohesion Initiative (CCI) programs, and the ARTF's National Solidarity Program (NSP). The United States has requested that \$865 million of its ARTF contributions support the NSP.⁴²⁷ Table 3.23 summarizes total program costs and disbursements to date.

Stability in Key Areas (SIKA)

The objective of SIKA is to help district- and provincial-level Afghan government officials respond to the local population's development and governance concerns, instilling confidence in the government and bolstering stability.⁴²⁸ USAID intended the four SIKA programs to "be seen as an extension of the [Afghan government], not as increased foreign presence," and stipulated that SIKA "must work within Afghan structures" in order to partner with the

GOVERNANCE

TABLE 3.23

USAID SUBNATIONAL (RURAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/3/2014 (\$)
National Solidarity Program (NSP) via the Afghanistan Reconstruction Trust Fund (ARTF)*	2004	2012	\$865,000,000	\$865,000,000
Stability in Key Areas (SIKA) South***	4/10/2012	9/3/2014	177,565,498	39,523,359
SIKA East	12/7/2011	9/6/2015	177,054,663	68,371,001
Community Cohesion Initiative (East, South, Southwest)**	3/1/2012	2/28/2015	161,499,422	7,373,529
Afghanistan Civilian Assistance Program (ACAP II)	9/27/2011	9/26/2014	64,000,000	45,194,000
SIKA West	1/29/2012	8/31/2015	62,998,824	30,049,405
SIKA North	3/15/2012	6/14/2015	45,633,274	20,318,357
Community Cohesion Initiative (North, West)**	9/10/2013	9/9/2015	36,221,640	451,496

Notes:

*This includes USAID contributions to the ARTF with an express preference for the National Solidarity Program (NSP). According to the agreement with the World Bank, donors can only express a preference on how their donations are used up to 50% of their total contribution. The remaining, unpreferred funds provided to the ARTF may also be used to support NSP.

**As of March 25, 2014. These disbursements do not reflect operational expenditures.

***The disbursement data includes the totals for both SIKA South awards.

Source: USAID, responses to SIGAR data call, 6/30/2014, 7/10/2014, 7/13/2014, and 7/14/2014.

Afghan Ministry of Rural Rehabilitation and Development (MRRD).⁴²⁹ The four SIKA contracts require the MRRD, as primary partner, to have representation in a district in order for SIKA to operate there. The degree of required MRRD presence ranges from an individual MRRD representative who comes to work on “a semi-regular basis” (SIKA South) to MRRD representation that is able to effectively operate and monitor SIKA activities in the district as well as provide support and leadership (SIKA West).⁴³⁰

During the quarter, the USAID Measuring Impacts of Stabilization Initiatives (MISTI) project, a third-party monitoring and evaluation program that evaluates the impact of USAID stabilization programs, issued a mid-term performance evaluation of the SIKA West program. According to the evaluation, SIKA West is meant to be an Afghan-led, government-owned program with quick-delivery projects that have long-term results.⁴³¹ The evaluation raised questions about how SIKA projects connect to its purpose and how USAID would even know if projects are having an effect. The review concluded:

The inherent issue with SIKA West’s programming is its lack of a properly articulated theory of change which would explain to management and stakeholders what the results of implemented activities should be. This lack of a defined theory of change results in sub-optimal implementation and assessment of the four [intermediate results,] and without outcomes measurement in its [performance monitoring plan], SIKA West performance measurement is likely to result in fewer lessons-learned (both positive and negative) that can tie directly back to improving the performance of implemented activities.⁴³²



SIKA West road-rehabilitation project in Muqur District, Badghis Province. (USAID photo)

Calling SIKA West’s currently reported outcomes “misleading outputs,” the evaluation recommends that SIKA West revise its performance-monitoring plan to include outcome indicators that measure whether the program actually had an effect.⁴³³

The evaluation offered a mixed assessment of SIKA West’s projects. According to the evaluation, infrastructure-development activities in Farah and Herat Provinces by and large met the stabilization objectives: support for the government increased due to the projects, many beneficiaries reported that employment opportunities reduced support for insurgent groups, and infrastructure development tied to agriculture or transportation (the types of projects sampled) had beneficial effects on society as they improve agricultural potential and connect villages to one another.⁴³⁴ The evaluation questioned the value of other projects, however:

SIKA West conducts multiple activities it says are part of stability programming, but are in effect small-scale interventions at the district level that may end quickly once project funding dries up. Two-hour communications trainings, English classes for [Provincial Ministry of Rural Rehabilitation and Development staff], and a variety of similar activities are not generally considered stabilization programming. If the goal of SIKA West is to increase confidence in local government through provision of service delivery, it needs to focus more on increasing the government’s capacity to understand what services are needed and how best to provide them through available mechanisms.⁴³⁵

SIKA West produced mixed results. On one hand, SIKA West programs did improve communications between district governments and their communities, especially through District Stability Committee (DSC) meetings.⁴³⁶ On the other hand, SIKA West actions have had a negative effect on district government empowerment and decision-making. District governors complained about the deterioration in their authority due to the DSC process and the direct funding of Community Development Councils (CDC).⁴³⁷ The evaluation also found that there is very little inclusion of government entities in the monitoring of projects. Afghan government participation in these visits are important for transparency, accountability, and showing government involvement in a project.⁴³⁸

Community Cohesion Initiative (CCI)

USAID’s CCI programs, split between one program covering the east, south, and southwest, and another covering the north and west, aim to build what USAID calls “resilience” in areas vulnerable to violence and insurgent exploitation. CCI implements initiatives such as local community-development projects that engage community leaders and government officials in their identification and oversight. The CCI also supports peace-advocacy campaigns at sporting events.⁴³⁹ The Afghan government was

awarded 84% of the 720 CCI activities while 7% were awarded directly to community groups.⁴⁴⁰

During the quarter, MISTI issued a mid-term performance evaluation of CCI as implemented in the east, south, and southwest.⁴⁴¹ The evaluation examined 61 projects from eight CCI districts.⁴⁴² The evaluation noted that a lack of trust between USAID and the implementing partner due to challenges in project start-up and operations made it difficult for the evaluation team to gather information on CCI processes, performance, and perspectives.⁴⁴³

The evaluation reported that CCI strengthened ties between local actors, customary governance structures, and the Afghan government. Afghan government officials increased their presence in communities for events such as CCI-grant opening and closing ceremonies. CCI staff, Afghan government officials, and community leaders reported that there is increased demand for Afghan government services following CCI grant implementation as evidenced by the increased number of community members petitioning district governors.⁴⁴⁴

According to CCI staff, CCI monitoring and evaluation of ties between the Afghan government and communities now includes whether people in a district sought access to Afghan government officials and whether Afghan government officials travelled outside the district center.⁴⁴⁵ CCI staff noted value in beginning work with the Afghan government at the district center, building trust and credibility through a few projects in the district, and then extending CCI implementation to villages a few kilometers out from the center or to more remote areas. The geographic spread from these district centers has been modest with grants often concentrated in or near district centers.⁴⁴⁶

The evaluation also found that CCI increased cohesion among communities. CCI staff, Afghan government officials, and community members reported that grants that originated from community processes were implemented in communities with community members as beneficiaries, or were granted to community actors who supported cohesion. The evaluation noted that the objective of supporting cohesion was a conceptually more difficult objective than increasing ties between the Afghan government and population and that CCI staff had differing interpretations of how projects supported cohesion. While some CCI staff viewed the defining aspect of cohesion projects as those that originated from the community, other CCI staff saw cohesion projects as those that benefited more people, such as schools and roads, or connected people across communities.⁴⁴⁷ It was not clear from the evaluation how cohesion projects per the second definition differed from a school or road project implemented by another program without a cohesion objective.

The evaluation noted that monitoring and evaluation were a challenge for CCI.⁴⁴⁸ Although many of those interviewed testified to the effectiveness of CCI, the evidence they offered in support was not always clear.

For example, CCI staff in some districts noted that it was not their responsibility to follow up after vocational training to gather data on whether beneficiaries were employed after training.⁴⁴⁹ Also, CCI staff interviewed sometimes struggled with articulating how communications efforts were successful beyond having more people come to CCI events.⁴⁵⁰

National Solidarity Program (NSP)

The ARTF supports both Afghanistan's operating and development budgets. As part of the development budget it funds the Afghan government's National Solidarity Program (NSP), designed to strengthen community-level governance and to improve the access of rural communities to essential services by channeling resources to democratically elected Community Development Councils (CDCs).⁴⁵¹ USAID previously, at Congress's direction, "preferenced" (earmarked) funds to the NSP, via the ARTF, to advance counterinsurgency objectives in areas newly under Afghan government control. USAID has acknowledged a lack of evidence that NSP increases stability in insecure parts of Afghanistan and adjusted its funding accordingly.⁴⁵²

According to USAID, NSP does achieve some positive results, including community-level engagement in decision-making. However, USAID does not rely on the program to achieve specific development objectives.⁴⁵³ USAID stated that they pay less attention to NSP than to other ARTF programs for which USAID expresses a preference. USAID preferences through the ARTF now support programs for education, health, public financial management, and land reform.⁴⁵⁴ Prior to FY 2013, USAID had preferenced a total of \$865 million directly for NSP.⁴⁵⁵

Afghan Civilian Assistance Program (ACAP)

In June, the USAID Inspector General issued an audit of the Afghan Civilian Assistance Program II (ACAP II). The primary objective of ACAP II was to provide Afghan civilian victims of confrontations between international military forces and Taliban insurgents with appropriate and timely assistance to recover and rebuild their lives. Program assistance included nonmonetary immediate assistance such as foodstuffs, small household items, and repairs to damaged homes and other properties. The program also provided assistance tailored to the needs of the victims to help them recover lost livelihoods. Tailored assistance included grants to start small businesses such as clothing shops, grocery stores, and livestock farms.⁴⁵⁶

Among the findings, USAID found that ACAP II did not provide timely assistance or adequate verification of beneficiaries. While the program required delivery of immediate assistance within two to seven days, during its first and second years implementers took an average of 50 days and 28 days, respectively. In addition, the program's procedures for verifying beneficiaries were weak. As a result, the report concluded that assistance could have gone to beneficiaries who were not genuine. Also, the audit found that

the Afghan Ministry of Labor, Social Affairs, Martyrs, and Disabled cannot sustain ACAP II activities. To sustain assistance to Afghan civilians after the program ends in September 2014, the ministry had planned to assume leadership of assistance activities by September 2013. However, as of June 2014 it had not done so.⁴⁵⁷

RECONCILIATION AND REINTEGRATION

The current U.S. Civil-Military Framework states that political reconciliation between the Afghan government and insurgency is “the solution to ending the war in Afghanistan.”⁴⁵⁸ However, the UN Secretary-General recently noted little progress in establishing a formal dialogue between the Afghan government and armed opposition groups.⁴⁵⁹

According to a UN Sanctions Monitoring Team report, reconciliation has stalled, although Afghan government efforts to promote political contacts continue. The primary impediment to reconciliation appears to be the lack of consensus on the Taliban side. The report found that the past year has been a bumper year for Taliban revenues, boosted by booming narcotics income, revenue from corruption and extortion, and increasingly drawing on the illegal exploitation of natural resources. As their finances have improved, the Taliban have become more of an economic actor, with incentives to preserve this income and possibly with less incentive to negotiate with the Afghan government.⁴⁶⁰

Reconciliation

According to State, there has been no noticeable progress in the ability of the Afghan High Peace Council (HPC) to garner support for reintegration and reconciliation efforts during the quarter. State reported that the HPC continues to conduct regular meetings, but State has no visibility on the results.⁴⁶¹

Five Taliban members were exchanged in May an American prisoner, U.S. Army Sergeant Bowe Berghdal. A senior member of the HPC expressed hope that the release of the Taliban members would help start peace talks in Afghanistan. A spokesman for the Taliban, however, discounted this sentiment, stating that the exchange had no impact on the peace process.⁴⁶²

According to a State spokesperson, the U.S. government and the government of Qatar agreed to severe restrictions on the five released Taliban as a condition of their release.⁴⁶³ An Afghan Ministry of Foreign Affairs spokesman was quoted calling for the lifting of any restrictions imposed on the five Taliban members with anything less than “full freedom” a violation of international law.⁴⁶⁴

On June 21, the Secretariat Chief for the High Peace Council, Masoom Stanekzai, survived a suicide attack that killed one civilian and injured four others in Kabul. A September 2011 attack injured Stanekzai while killing former Afghan president and HPC head Burhanuddin Rabbani.⁴⁶⁵

Afghanistan Peace and Reintegration Program

The Afghanistan Peace and Reintegration Program (APRP), an Afghan-led program to reintegrate low-level insurgent foot soldiers and their commanders into Afghan civil society, is financed by \$182.3 million in contributions from 12 donor nations. Operational funding for the program is provided by seven donor nations (primarily Japan and Germany). The United States provides funding towards community-recovery efforts administered by the World Bank.⁴⁶⁶

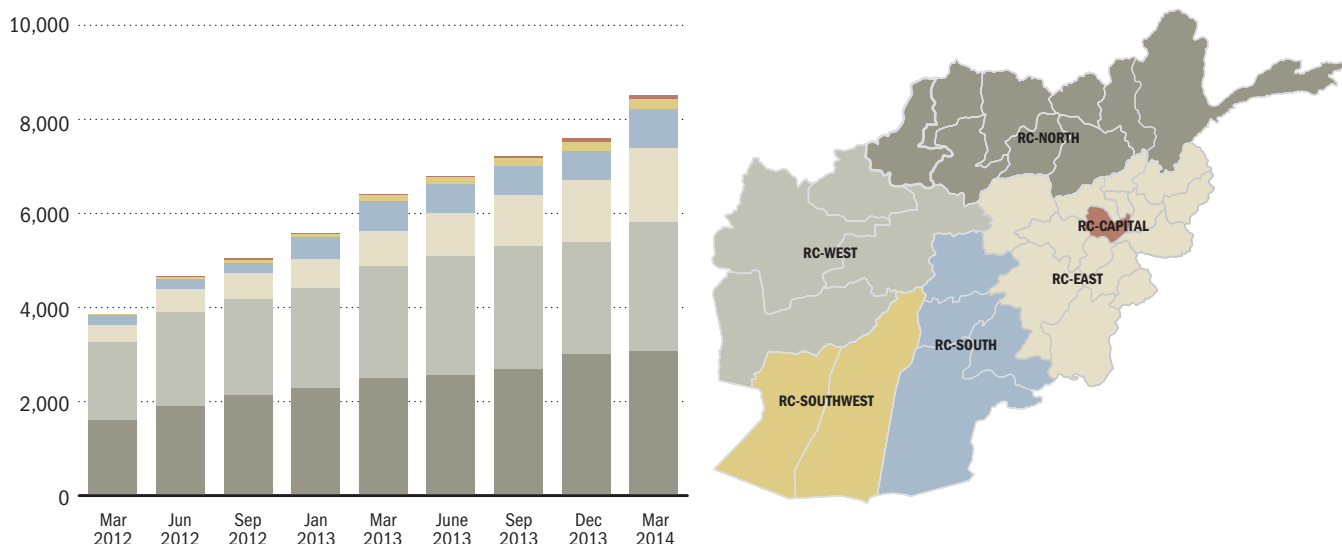
According to the Force Reintegration Cell (FRIC), an ISAF element supporting the APRP, the APRP Joint Secretariat and Provincial Joint Secretariat Teams continue to make outreach a priority through local peace meetings and radio and television advertisements.⁴⁶⁷

The FRIC also reports 53 small grant projects and 1,162 Afghan government projects are under way in 32 provinces and 190 districts.⁴⁶⁸

From January to March 31, 451 new reintegrees joined the program, increasing the total to 8,503 reintegrees, as shown in Figure 3.29.⁴⁶⁹ According to State and the FRIC, the APRP has a robust vetting process to confirm that individuals who want to join the program are actually insurgents. Afghan civil government and ANSF officials at the provincial and national levels are responsible for processing reintegrees. The international role is limited to being able to access the Reintegration Tracking and Monitoring Database.⁴⁷⁰

FIGURE 3.29

REINTEGrees BY REGIONAL COMMAND



Notes: DOD provided updated numbers as of March 2014. Sources did not explain why the cumulative number decreased in RC-North (from 3,244 to 3,071) and RC-Southwest (from 218 to 195) this quarter; the current number of confirmed recidivists has remained at 16 individuals.

Source: State, response to SIGAR data call, 10/4/2013, 7/1/2013, 4/2/2013, 1/2/2013, 10/2/2012, 7/5/2012, and 3/30/2012; DOD, responses to SIGAR data call, 6/30/2014, 3/31/2014, and 12/31/2013.

In a report released in June by the Afghanistan Independent Human Rights Commission (AIHRC) and 11 Afghan civil society groups, the APRP was criticized for what some label as “rewards” offered to insurgents such as the economic opportunities, amnesties, and reinstatement of reintegrees into positions of power, that they say served to fuel impunity. The report quoted interviewees that called for community-based development projects and, through vetting, identifying, and removing those insurgents who are clearly responsible for gross human-rights violations. Furthermore, reintegrees interviewed by the authors expressed dissatisfaction with the APRP, stating that it failed to deliver on its promises and left them feeling used, unsupported in the long run, and vulnerable to attack for their cooperation with the Afghan government. The report concluded that “in essence, the APRP is viewed as a failure by all intended recipients.”⁴⁷¹

RULE OF LAW AND ANTICORRUPTION

Project Summary

The United States has provided assistance to the formal and informal justice sectors through several mechanisms. These include the USAID Rule of Law Stabilization Formal and Informal Components (RLS-F and RLS-I), the State Department Justice Sector Support Program (JSSP), and the State Department Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.24.

RLS-F provides assistance to the formal justice sector to increase access to justice, strengthen the capacity of the legal education system, and promote transparency and accountability at the district, provincial, and national levels. USAID reports that RLS-F improves the capacity of sitting judges and court staff by providing comprehensive legal training. RLS-F includes the Supreme Court formal training program for new judges.⁴⁷²

TABLE 3.24

USAID RULE OF LAW AND ANTICORRUPTION PROGRAMS					
Project Title	Agency	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/30/2013 (\$)
Justice System Support Program II (JSSP II)*	State	5/31/2010	12/31/2014	\$301,971,225	\$152,088,263
Corrections System Support Program (CSSP)*	State	5/1/2010	12/31/2014	198,586,208	171,569,427
Rule of Law Stabilization - Formal Component	USAID	7/16/2012	7/14/2014	22,581,128	19,068,556
Justice Training Transition Program (JTTP)*	State	1/2/2013	7/1/2015	20,000,000	20,000,000
Rule of Law Stabilization - Informal Component	USAID	7/16/2012	3/13/2014	15,651,679	15,080,799
GAPS Anti-Corruption Grant	USAID	6/7/2012	6/6/2014	1,292,379	720,467
Fight Corruption Tooth and Nail	USAID	7/4/2012	7/3/2014	997,000	528,783

Note: *Disbursements as of May 14, 2014.

Sources: USAID, response to SIGAR data call, 7/10/2014; SIGAR analysis of State response to data call, 5/27/2014, 6/3/2014, and 7/16/2014.

SIGAR AUDIT

SIGAR has an ongoing audit of U.S. government efforts to assist and improve the rule of law in Afghanistan. SIGAR plans to (1) identify U.S. government programs or initiatives to develop rule of law in Afghanistan; (2) assess the progress that these programs or initiatives have made; (3) identify challenges, if any, that the U.S. government has encountered in achieving its rule of law objectives and the extent to which it has addressed these challenges.

This quarter, USAID issued a performance evaluation of the third and final phase of RLS-I that ran from July 2012 to March 2014. The review focused on three RLS-I objectives: to strengthen and improve traditional dispute-resolution mechanisms, strengthen linkages between formal and informal justice sectors, and facilitate cooperation to address longstanding, intractable disputes.⁴⁷³ Approximately 76% of direct beneficiaries (those who received RLS-I training) indicated high levels of satisfaction with the training, and many felt their knowledge of Afghan law had improved.⁴⁷⁴ However, 88% of participants reported that female trainers lacked sufficient knowledge of Afghan law, and that training was conducted over too short a period of time.⁴⁷⁵ The review questioned the value of RLS-I sponsored Community Cultural Centers (CCC) that were meant to help distribute booklets and other media produced by RLS-I. The evaluation teams were unable to identify any CCC members despite having been given contact information for CCCs in six provinces.⁴⁷⁶

While the evaluation found that harmful social practices such as *baad*, the practice of exchanging women to settle a dispute, were generally reduced in target communities, it is not entirely clear the degree to which the RLS-I training was responsible for this reduction compared to other possible factors such as training by other programs. Similarly, data from in-depth interviews and focus-group discussions indicated little to no progress towards the resolution of long-standing disputes, with many respondents indicating that such disputes continued to exist with no resolution expected. The quantitative survey data indicated, however, that 58% of indirect beneficiaries, or residents who did not receive training, believed that more long-standing disputes had been resolved in the past two years compared to previously, with only 9% of respondents reporting no change.⁴⁷⁷

The evaluation also found that few cases were referred from the informal justice sector to the formal justice sector, while case referrals from the formal to informal sector were common throughout target provinces. Traditional decision-makers had a generally low opinion of formal justice institutions, while formal justice actors had respect for informal institutions. Respondents including traditional dispute resolution practitioners and formal justice sector actors generally preferred the informal over the formal justice system.⁴⁷⁸ The evaluation concluded that the relationship between the formal and informal systems is largely one-way, with the formal system referring cases to the informal system but the latter not reciprocating.⁴⁷⁹

The State Department's JSSP objectives include developing a case-management system (CMS) to track cases throughout Afghanistan's justice system and building the capacity and administrative skills of ministry officials.⁴⁸⁰ According to the latest JSSP quarterly report, seven of the 34 provinces are actively using CMS, while two provinces received CMS equipment in May.⁴⁸¹ JSSP completed baseline assessments of the Afghan justice ministries this quarter and plans to deliver training, mentoring, technical

advice, and material support to improve transparent justice services and to address areas for improvement identified in the baseline assessments.⁴⁸²

The State Department's JTTP provides regional training to justice-sector officials, including police, prosecutors, judges, and defense attorneys, on a wide range of criminal justice topics, including anticorruption. JTTP also provides mentoring on specific cases and legal issues to justice sector officials, including prosecutors and judges.⁴⁸³ In the last quarter, JTTP delivered 46 training courses for 1,098 participants in 17 provinces.⁴⁸⁴

The Supreme Court and the Formal Justice Sector

According to State, there were no notable rulings by the Supreme Court during the quarter.⁴⁸⁵

Afghan Correctional System

According to State, the inmate population of Afghanistan's prisons managed by the General Directorate of Prisons and Detention Centers (GDPDC) has continued to increase at a rate of 16.4% annually over the past five years. As of May 20, the GDPDC incarcerated 27,827 individuals.⁴⁸⁶

As of April 20, the Ministry of Justice's Juvenile Rehabilitation Directorate (JRD) incarcerated 1,071 juveniles. This total does not include detainees held by any other Afghan governmental organization as State's Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to data for other organizations.⁴⁸⁷

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities, although reduced by new prison beds added through State-funded prison construction and by significant reductions in prison population due to presidential amnesty decrees. As of May 20, 2014, the total male provincial-prison population was at 279% of capacity, as defined by International Committee of the Red Cross's (ICRC) minimum 3.4 square meters per inmate. The total female provincial-prison population was at 116% of the ICRC recommended capacity. Information on the capacity of GDPDC-operated district detention centers and the JRD's juvenile rehabilitation centers is not available. However, anecdotal reporting by INL advisors visiting facilities indicates that overcrowding is a substantial problem in many provinces.⁴⁸⁸

In May, a delegation from the Afghan upper house of parliament visited Herat Province to oversee the justice and judicial organs of the province. The delegation found that there are between 3,000 and 4,000 prisoners in the Herat prison, which was built to house 700 to 800 prisoners. The Ministry of Interior reportedly has land to build a new facility but lacks the funding to do so.⁴⁸⁹



CSSP trainee prison guards simulate responding to prisoners out of their cells at the Counter Narcotics Justice Center in Kabul. (CSSP photo)

SIGAR INSPECTION

SIGAR issued an inspection report this quarter on the State Department-funded Baghlan Prison which found that the facility requires extensive remedial action. See Section 2, page 34.

Anticorruption

Afghan anticorruption efforts showed no significant progress during the quarter. State is not aware of any high-level Afghan government officials facing prosecution or investigation during this quarter. The Afghan government continues to prosecute only the lowest-level supervisors and officials below them for corruption.⁴⁹⁰

In June, the Carnegie Endowment for International Peace issued a report on the impact of corruption on international security. Among the findings, the report notes that acute corruption should be understood not as a failure or distortion of government, but as a functioning system in which ruling cliques, best thought of as networks, use selected levers of power to capture specific revenue streams. The effort to capture revenue streams often overshadows activities connected with running a state.⁴⁹¹

Systematic corruption, however, evokes indignation in the populace, making it a factor in social unrest and insurgency.⁴⁹² Afghanistan was singled out as an example of corruption that is relatively structured and where governing systems have been bent to benefit one or a very few networks. According to the report, President Karzai regularly calls his attorney general to influence cases or personally orders the release of suspects from pre-trial detention, quashing the cases against them.⁴⁹³ The report questioned the value of international anticorruption initiatives that let the Afghan system itself take the lead in eradicating corruption, labeling this a “policy oxymoron.”⁴⁹⁴

In June, Integrity Watch Afghanistan issued their national corruption survey. The report was based on interviews with 7,798 men and women across all provinces. Corruption and unemployment tied as the second-greatest challenge facing Afghanistan after security. While 18% of respondents in 2012 faced corruption within the last 12 months, 21% of respondents faced corruption in the 2014 survey. Of those who experienced corruption in the 2014 survey, 65% paid money; the rest experienced some sort of non-monetary corrupt practices such as offering gifts to corrupt actors.⁴⁹⁵ The survey found that the presence of the government in an area increases the interaction with civil servants and, subsequently, increases perceptions of corruption.⁴⁹⁶

In May, the lower house of parliament accused the Kabul mayor of corruption, and the speaker of the lower house said it no longer recognizes the mayor's authority. The AGO has established a 12-member commission to investigate corruption accusations against the Kabul mayor and some lawmakers. The commission was established following protests against the mayor that halted municipal activities and the receipt of a dossier from the Presidential Palace.⁴⁹⁷

Afghan Attorney General's Office

There were no significant changes in the technical capacity or effectiveness of the AGO. The AGO declined offers from State to train AGO prosecutors in investigative methods. According to State, the election made the pursuit of high-level corruption cases less likely.⁴⁹⁸

According to State, the Anticorruption Unit (ACU) of the AGO is able to prosecute lower-level corruption cases but faces obstacles prosecuting higher-level corruption. The ACU has been unreceptive to State and Department of Justice (DOJ) engagement, and suffers from low morale. The ACU has little technical capacity and has demonstrated little interest in developing the techniques to effectively pursue more sophisticated corruption cases. However, it is capable of prosecuting simple cases of graft. The U.S. Embassy Kabul's Office of the Justice Attaché has refocused their assistance on the Internal Control and Monitoring Unit and Financial Dispute Resolution Committee where there is greater receptivity.⁴⁹⁹

The Major Crimes Task Force (MCTF) is the investigatory arm for the AGO internal-control and monitoring unit.⁵⁰⁰ According to State, the MCTF continues to be an increasingly capable investigatory force, but is stymied by the AGO's refusal to pursue corruption cases. Following the presidential elections, State plans to assess whether the new government has sufficient political will for an effective MCTF. State will examine Afghanistan's anti-corruption initiatives to determine whether Afghanistan enacts financial regulation legislation; whether it brings corruption charges against higher-status and -rank defendants; whether MCTF's resource needs have changed; and how the MOI, AGO, and other Afghan agencies incorporate, or omit, MCTF's role in their anticorruption efforts.⁵⁰¹

Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC)

According to USAID, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) has sufficient technical capacity and political will to address some of the toughest corruption-related questions confronting Afghanistan. State notes, however, that the MEC lacks the authority to do more than call attention to poor or corrupt practices.⁵⁰²

During the quarter, the MEC issued reports on customs, the Supreme Auditing Office, the Afghanistan Telecommunications Regulation Authority, and the Afghan Red Crescent Society.

According to the MEC, Afghanistan loses a substantial amount of its customs revenue due to corruption: almost half of expected revenue was not collected due to smuggling at the borders and some 25% more was lost due to the influence of high-ranking officials and individuals on custom officials. The MEC found that dishonest custom officials and brokers abuse the system of data entry and divert government revenue. The MEC recommended that the Afghanistan Customs Department should develop a technological

mechanism (scanner, barcode, X-ray, etc.) to ensure that data entered into the system by customs brokers and verified by customs officials is accurate. Also, the MEC recommended that the Afghanistan Customs Department reassess activities of brokers involved in custom proceeding, identify abusers, and create a blacklist of those found to be abusing the system.⁵⁰³

In an examination of the Supreme Audit Office (SAO), the MEC found that the SAO's enabling legislation does not include any administrative procedures for reporting or penalizing Afghan government institutions that unjustifiably refuse to implement SAO recommendations. The MEC also found that Afghan government embassies and consulates are audited only every five years, which does not provide for sufficient scrutiny of their activities. The MEC recommended that the SAO, in coordination with the Ministry of Justice, should develop amendments to the Audit Law to provide for administrative procedures to report and penalize institutions that unjustifiably do not implement SAO audit recommendations. Also, the MEC recommended that the SAO audit Afghan embassies and consulates every two years.⁵⁰⁴

In a report on the Afghanistan Telecommunications Regulation Authority (ATRA) and the Afghan Red Crescent Society, the MEC found deficiencies that create opportunities for corruption. The MEC identified a discrepancy in revenues and expenses stated by communication companies in their audit reports versus those provided within tax documents. Communications companies are reporting minimal amounts of revenue and profit within tax documents, thereby creating a low tax burden, which reportedly contrasts with the audited financial statements filed with ATRA. According to the MEC, this raises concerns that corrupt practices are being undertaken. The MEC recommends that the Ministry of Communications, which oversees the ATRA, should share the audit reports of the communication companies with the Ministry for Finance for a comparative evaluation of audit reports and tax documents.⁵⁰⁵

In reviewing the Afghan Red Crescent Society, the MEC identified systemic failure and gaps that can expose vulnerable areas to corruption. The MEC recommended that the Afghan Red Crescent Society adopt a financial and accounting policy and publish it on their website. Also, the MEC recommended that the SAO conduct a financial audit of the Afghan Red Crescent Society.⁵⁰⁶

High Office of Oversight and Anticorruption

State and USAID have reported previously that the High Office of Oversight and Anticorruption (HOO) is dysfunctional, ineffective, and politicized.⁵⁰⁷ Neither State nor DOJ engaged with the HOO during this quarter.⁵⁰⁸

In July, the HOO survived an attempt by the lower house of parliament to dissolve it when the upper house rejected the proposal. The HOO's future will be discussed in a joint commission of parliament.⁵⁰⁹

HUMAN RIGHTS

Human Trafficking

On June 20, State released its annual *Trafficking in Persons Report*. The goal of this report, mandated by Congress, is to stimulate action and create partnerships around the world in the fight against modern-day slavery. Afghanistan's score increased this year to **Tier 2**, which means that while the Afghan government does not fully comply with the Trafficking Victims Protection Act's (TVPA) minimum standards, it is making significant efforts to bring itself into compliance.⁵¹⁰ From 2010 to 2013, Afghanistan's rank was lower, **Tier 2 Watch List**; the last time it was Tier 2 was 2009.⁵¹¹

According to the report, the Afghan government's response to the extensive human trafficking in its country and of its citizens was deficient. While victims of sex trafficking were routinely prosecuted and convicted as criminals for moral crimes, the government failed to hold the vast majority of traffickers criminally accountable for their crimes. Government complicity remained a serious problem and political will to combat the crime was low. The majority of the government's plan to address trafficking was not completed.

There were areas of small improvement, however. During the past year, the government issued a decree directing law-enforcement agencies to cease prosecuting trafficking victims. It also took some limited steps to implement its antitrafficking plan, including through making executive branch efforts to ratify the 2000 UN Trafficking in Persons Protocol. Despite extensive international support of the government's antitrafficking programming, the level of understanding of human trafficking among Afghan government officials remained very low.⁵¹²

The report notes that Afghanistan is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Internal trafficking is more prevalent than transnational trafficking. The majority of Afghan victims are children subjected to human trafficking in carpet-making and brick kiln factories, domestic servitude, and in commercial sexual exploitation, begging, transnational drug smuggling, and assistant truck driving within Afghanistan, as well as in the Middle East, Europe, and South Asia. Most Afghan victims exploited in Iran are boys under age 18 who are compelled to work in forced labor in the construction and agricultural sectors upon their arrival. The majority of Afghan victims in Pakistan are women and girls who are trafficked for the purpose of commercial sexual exploitation, including by forced marriages.⁵¹³

This quarter, SIGAR's Office of Special Projects wrote to several DOD contractors about their recruitment of third-country nationals (TCN) to work at U.S. military bases in Afghanistan. Officials of a large DOD contractor have told SIGAR investigators that more than 2,400 of these TCN workers reported that they had paid recruiters a few hundred to several

Tier 2: Countries whose governments do not fully comply with the Trafficking Victims Protection Act's (TVPA) minimum standard, but are making significant efforts to bring themselves into compliance with those standards.

Tier 2 Watch List: Countries whose governments do not fully comply with the TVPA's minimum standards, but are making significant efforts to bring themselves into compliance with those standards and:

- a) The absolute number of victims of severe forms of trafficking is very significant or is significantly increasing;
 - b) There is a failure to provide evidence of increasing efforts to combat severe forms of trafficking in persons from the previous year; or
 - c) The determination that a country is making significant efforts to bring itself into compliance with minimum standards was based on commitments by the country to take additional future steps over the next year
-

Source: U.S. Department of State, *Trafficking in Persons Report*, 6/20/2014.

thousand dollars each for jobs on Logistics Civil Augmentation Program (LOGCAP) contracts. Such fees violate Federal Acquisition Regulation provisions and the United States' zero-tolerance policy on human trafficking. TCN workers often borrow substantial sums of money at high interest rates in their home countries to pay these recruitment fees. The high levels of indebtedness make it very difficult for the TCNs to leave their jobs. For more information, see Section 2, page 49.

Refugees and Internal Displacement

According to State, there have been no recorded outflows of Afghan refugees and no new developments affecting Afghan refugees in Pakistan or Iran during this quarter. On June 26, the UN High Commission for Refugees (UNHCR) estimated more than 65,000 persons have crossed from Pakistan into Afghanistan's Khowst Province and more than 20,000 in neighboring Paktika Province due to large-scale Pakistani military operations in neighboring North Waziristan. In the first five months of 2014, returns totaled 6,698 individuals, which is 63% lower than the 18,175 returns during the same period in 2013. The decrease in the rate of returns can be attributed to the uncertain security situation in Afghanistan, the unknown outcome of the April 2014 Afghan elections, and the extension of proof-of-registration cards for Afghan refugees in Pakistan. Afghans remain among the largest group of asylum seekers worldwide with 38,653 claims in 2013.⁵¹⁴

As of June 12, UNHCR recorded a total number of 672,736 registered conflict-affected Internally Displaced Persons (IDPs) compared to 654,664 registered IDPs since April 30. According to State, the actual number of internally displaced could be much higher and is difficult to verify.⁵¹⁵

In February, the Afghan government launched a national policy on internal displacement. It set forth the roles and responsibilities of various Afghan government ministries and agencies and their development and humanitarian partners. According to State, the implementation of this policy will require developing substantial capacity that does not currently exist within the Afghan government along with changes in land tenure laws and regulations. Municipal leaders will need to be convinced to allow many, if not most, IDPs to settle in urban areas rather than return to their places of origin. State's view is that the success of the IDP policy depends to a large extent on work done by subnational governments. UNHCR and the Ministry of Refugees and Repatriation have developed an implementation plan that begins with educating actors in key provinces and ministries on their responsibilities. Ideally, provincial-level implementation plans will be completed by the end of 2014 and ready for presentation to possible donors and, to a lesser extent, worked into the national budget.⁵¹⁶

Afghanistan Independent Human Rights Commission

According to State, the Afghanistan Independent Human Rights Commission (AIHRC) continues to make significant progress in increasing awareness about human rights issues, documenting the current human rights situation, speaking out about abuses, and monitoring the ongoing elections.⁵¹⁷

This quarter, the AIHRC, along with 11 Afghan civil-society organizations, issued a report on achieving lasting peace in Afghanistan. The report summarizes the views of 4,648 Afghans from all 34 provinces. According to the report, a common theme was the discontent Afghans feel with their government due to corruption, weak rule of law and pervasive impunity for human rights violations.⁵¹⁸ The report found that Afghans seek accountable, transparent, and efficient local government which they view as central to ensuring durable peace. Afghans also reported that the lack of Afghan government presence in remote, insecure, and contested areas is a key driver of the armed conflict. The report recommended that rather than outsource security to local militiamen, the Afghan government should disarm illegal armed groups and pro-government militia.⁵¹⁹ Finally, the report recommended that the Afghan government promote equitable development across Afghanistan, prioritize education, empower Afghan youth, promote an inclusive peace process, reform the Afghan Peace and Reintegration Program, and protect and promote human rights and women's rights.⁵²⁰

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ECONOMIC AND SOCIAL DEVELOPMENT

As of June 30, 2014, the U.S. government has provided nearly \$30.6 billion to support governance and economic and social development in Afghanistan. Most of the appropriated funds flowed into four major programs and accounts, as shown in Table 3.25. Of the \$23.2 billion appropriated for these funds, approximately \$18.4 billion had been obligated and \$15.2 billion disbursed as of June 30, 2014.

TABLE 3.25

CUMULATIVE APPROPRIATIONS FOR AFGHANISTAN DEVELOPMENT, AS OF JUNE 30, 2014 (\$ BILLIONS)		
Fund	Managing Agency	Appropriated
ESF	USAID	\$17.5
CERP	DOD	3.7
TFBSO	DOD	0.8
AIF	STATE/DOD	1.2
Total		\$23.2

Notes: ESF = Economic Support Fund; CERP = Commander's Emergency Response Program; TFBSO = Task Force for Business and Stability Operations; AIF = Afghanistan Infrastructure Fund.

Source: See Appendix B.

KEY EVENTS

This quarter the Afghan economy continued to grow at a slower rate as a result of political uncertainty and the drawdown of U.S. and Coalition forces.

After being downgraded to “dark gray” status by the international Financial Action Task Force (FATF) last quarter, Afghanistan narrowly avoided being blacklisted as a high-risk, non-cooperative jurisdiction for insufficient progress on improving its anti-money laundering regulations.⁵²¹ Afghanistan’s parliament passed anti-money laundering and anti-terrorist financing legislation in late June, just before FATF’s June plenary meeting deadline.⁵²² A blacklist designation by the 36-member intergovernmental body could have further affected Afghanistan’s banking relationships around the world and weakened its economy.⁵²³

The annual United Nations Analytical Support and Sanctions Monitoring Team report found the Taliban is deriving so much income from narcotics

and illegal mining that its incentive to seek a lasting peace settlement with the Afghan government may have been reduced.⁵²⁴ The political and security transitions—compounded by rising security costs and lower government revenues—are fueling consumer and investor doubts, and slowing economic growth.⁵²⁵ The report added that continuing international economic support to Afghanistan after the transition will be crucial.⁵²⁶

Both houses of parliament passed new mining, anti-money laundering, and combating-terror-financing laws this quarter, which could improve prospects for foreign aid, private investment, and broad-based job creation in Afghanistan.⁵²⁷ Since legislative passage occurred late in the quarter, U.S. implementing agencies could not assess these laws before this report went to press.⁵²⁸ A new banking law remains delayed.⁵²⁹

So far, Afghanistan's domestic revenues in Afghan fiscal year (FY) 1393 (December 21, 2013–December 20, 2014) were 20% lower than Ministry of Finance (MOF) budget targets. Although tax revenues have exceeded those for FY 1392 year-to-date, they still fell short of FY 1393 targets. Non-tax revenues and customs duties fell short of both the amounts collected in FY 1392 (year-to-date) as well as FY 1393 targets.⁵³⁰

During this reporting period, the International Monetary Fund's (IMF) Extended Credit Facility arrangement review and disbursement remain delayed due in part to insufficient Afghan progress toward meeting domestic-revenue collection and legislative requirements. The IMF also issued an updated assessment of the Afghan economy—known as the Article IV Report—its first since November 2011. It concluded that while progress has been made, Afghanistan's economy is vulnerable to political and security-related uncertainty.⁵³¹

Finally, the Afghan government has not held any more individuals accountable for the Kabul Bank scandal, nor has it reported any new cash recoveries this quarter.⁵³²

ECONOMIC PROFILE

Afghanistan's GDP growth has slowed significantly over the last year. The IMF, the World Bank, and the Asian Development Bank (ADB) all projected that Afghanistan's GDP growth (excluding opium production) will fall from a high of around 14% in 2012 to an estimated 3–4% for 2013 due to increasing uncertainty about the volatile political and security environment.⁵³³

With an expected reduction in international aid and spending after 2014, the World Bank projects average real GDP growth at about 5% annually through 2018 under its baseline assumptions. More uncertainty, fueled by insecurity and instability, could further dampen growth. By contrast, Afghanistan's economy grew by an annual average of 9.4% from 2003 to 2012, when it was boosted by international military spending and development assistance.⁵³⁴

Consumer prices were relatively stable over the past two years, with inflation in 2013 calculated at 7.7%, according to the World Bank, compared to 6.3% in 2012.⁵³⁵ The IMF found that Afghanistan's macroeconomic policy is appropriately balanced. Its fiscal policy, financed by donor grants, is also broadly balanced, but the IMF recommends the government do more to increase domestic revenues and improve budget management. To maintain low inflation, Afghanistan's monetary policy should maintain its international reserves, continue to limit money-supply growth, and preserve a flexible exchange rate.⁵³⁶ The IMF said this strategy depends on continued donor assistance pledged at the 2012 Chicago and Tokyo conferences, as well as on Afghanistan's fulfilling its commitments, which "will be critical towards sustaining donors' confidence."⁵³⁷

Fiscal Sustainability

The World Bank describes Afghanistan's fiscal outlook as subpar and likely to delay progress to self-reliance.⁵³⁸ Afghan government expenditures are expected to continue rising, largely due to spending on security, service delivery, building essential infrastructure, and operations and maintenance.⁵³⁹ This will require continued donor financing and improved revenue mobilization.⁵⁴⁰

Afghanistan's fiscal sustainability ratio—domestic revenues versus operating expenses—declined to approximately 57% in the first four months of FY 1393, compared to 60% and 65% in the previous two fiscal years.⁵⁴¹

For the first quarter of Afghanistan's current fiscal year, domestic revenues stood at 23.41 billion afghanis (AFN), versus 22.32 billion AFN for the same quarter of the prior year.⁵⁴² The 4.88% quarter-to-quarter increase in domestic revenues, however, did not keep pace with the World Bank-reported rate of Afghan price inflation, so the actual purchasing-power value of the revenue growth is less than it appears.

The gap between the government's domestic revenues—derived primarily from taxes and custom duties—and integrated budget (**operating budget** and **development budget**) expenditures is large, as depicted in Figure 3.30 on the following page.⁵⁴³ The IMF estimated Afghanistan's financing gap, comprising on and off-budget needs, at \$7.7 billion (33% of GDP) on average, annually through 2018.⁵⁴⁴ This will limit Afghanistan's ability to pay for discretionary services without significant donor support and is likely to delay its progress to self-reliance.⁵⁴⁵

Revenue Generation

Raising domestic revenue is a priority for Afghanistan's fiscal sustainability, according to the IMF.⁵⁴⁶ In the first four months of FY 1393, total domestic revenues increased by 3.6% from the same period in FY 1392, but missed MOF targets by 20%.⁵⁴⁷ Moreover, revenues in FY 1393 have been outpaced by expenditures.⁵⁴⁸

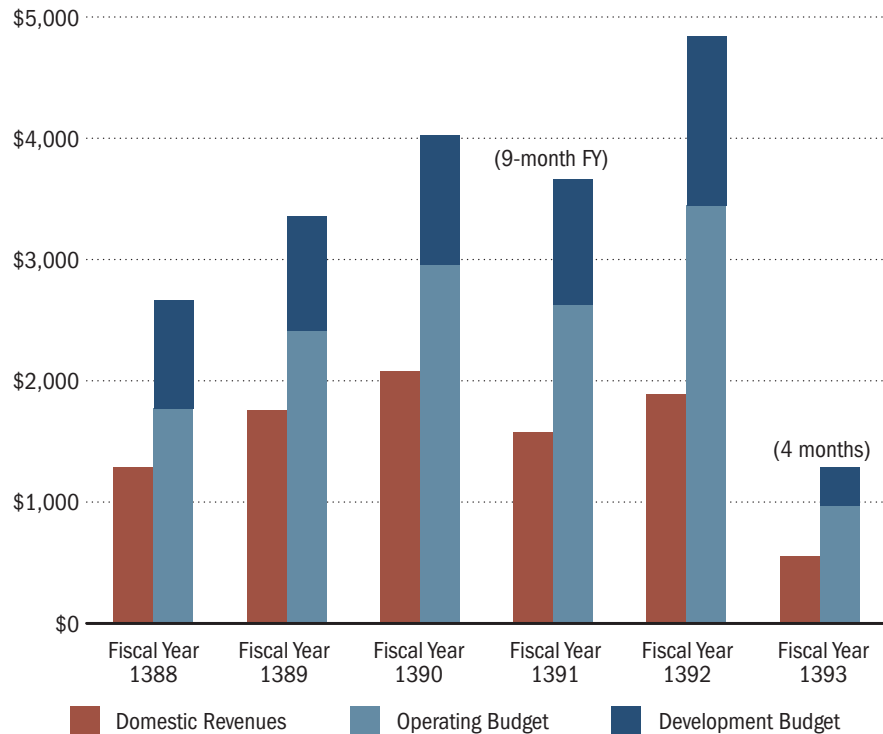
Operating budget: consists mainly of recurrent expenditures, such as salaries for public servants, running costs for ministries, barracks, etc.

Development budget: the government's budget for development projects implemented by government agencies, such as building new schools or roads. These projects are mainly donor-funded.

Source: MOF, "FY 1393 Monthly Fiscal Bulletin, Month 4," 5/25/2014, accessed 7/2/2014.

FIGURE 3.30

AFGHANISTAN'S DOMESTIC REVENUES COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (\$ MILLIONS)



Notes: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1388 corresponds to March 20, 2009, to March 20, 2010, and so on. Nine-month data for fiscal year 1391 reflect a change in the timing of the Afghan fiscal year. FY 1393 represents the first four months only. Donor aid covers "fiscal gap" between domestic revenue and budget outlays.

Source: MOF, "Annual Fiscal Report 1391," accessed 6/20/2013; MOF, "1393 National Budget," accessed 4/14/2014; MOF, "FY 1392 Monthly Fiscal Bulletin, Month 12," 2/14/2014, accessed 4/14/2014; MOF, "FY 1393 Monthly Fiscal Bulletin, Month 4," 5/25/2014, accessed 7/2/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," 2/14/2014, accessed 4/14/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," 5/25/2014, accessed 7/2/2014.

SIGAR AUDIT

A SIGAR audit report published last quarter found that, despite the U.S. allocation of \$198 million to develop Afghan capacity to assess and collect customs revenue, its potential as a stable source of government income remains uncertain.

Revenues as a percentage of GDP have also declined. The World Bank calculated domestic revenues at 9.6% of GDP in calendar year 2013—compared to 10.3% in 2012 and 11% in 2011—as a result of continued government weakness in revenue enforcement as well as the economic slowdown, generally.⁵⁴⁹

The IMF's Chief of Mission for Afghanistan explained in May 2014 that the government's strategy for increasing revenues has four main pillars: improved tax compliance, implementing a value-added tax (VAT), developing the Afghan mining sector, and imposing new taxes in addition to a VAT.⁵⁵⁰ This quarter, VAT legislation passed both houses of parliament and is

awaiting a joint commission to reconcile the legislative differences between them.⁵⁵¹ Once that happens, the IMF said, Afghanistan will need one year to prepare for the tax’s introduction.⁵⁵²

Trade

Afghanistan’s largest trading partner is Pakistan, followed by the United States, the European Union, and regional neighbors.⁵⁵³ Trade-related taxes represented 45% of Afghanistan’s total tax revenues from 2006 to 2013.⁵⁵⁴

Afghanistan Trade and Revenue Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Afghanistan Trade and Revenue	11/7/2013	11/6/2017	\$77,754,267	\$6,367,032

Source: USAID, response to SIGAR data call, 7/10/2014.

The Afghanistan Trade and Revenue (ATAR) Project is USAID’s trade-facilitation program designed to (1) support Afghanistan’s accession to the World Trade Organization (WTO), (2) support bilateral and multilateral regional trade agreements, and (3) improve and streamline the government’s ability to generate revenue.⁵⁵⁵ ATAR is supporting Afghanistan’s WTO accession in 2014, and while Afghanistan is positioned to do so, USAID said the government must resolve laws that are inconsistent with WTO standards and improve ministerial capacity. ATAR is helping the government draft WTO-related legislation and with the market-access negotiations that are part of the WTO-accession process. It is also working with Afghan customs officials to modernize and streamline customs processes.⁵⁵⁶

EXTENDED CREDIT FACILITY ARRANGEMENT

The IMF’s \$129 million **Extended Credit Facility (ECF)** loan agreement signed in November 2011 makes disbursements contingent upon completion of program reviews, as determined by IMF management and its executive board. So far, the IMF has released two disbursements of \$18.2 million—one at the initial ECF approval, and the second after the first board review in June 2012. Neither the second IMF review, originally planned for December 2012, nor the third, originally planned for March 2013, has been completed, due to missed performance targets, inadequate policy responses to economic shocks, and delays in structural reform.⁵⁵⁷

Weaker-than-expected economic conditions led the IMF to revise the ECF in May 2013 to account for lower revenues, expenditures, and international monetary reserves, while it adjusted money-growth targets to preserve macroeconomic stability. Despite these adjustments and

SIGAR AUDIT

A SIGAR audit of Afghanistan’s customs revenue collection found that although a risk-management and electronic-payment system are highlighted in the TAFE and ATAR contract documents, the ATAR contract does not require the implementing partner to meet annual targets for the implementation of the systems. USAID said implementation is the responsibility of the Afghan government.

The Extended Credit Facility (ECF): a three-year program that provides financial assistance to Afghanistan, as well as other countries, and is the primary IMF tool for providing medium-term assistance to low-income countries. ECF financial support is generally provided through loans at zero-percent interest rates.

Source: SIGAR, Audit 14-16, Afghanistan’s Banking Sector: The Central Bank’s Capacity to Regulate Commercial Banks Remains Weak, 1/2014.

government-reform efforts, quantitative targets were missed, delays in structural reform persisted, and the expectation of a newly elected government caused further reviews to be postponed. The current ECF expires in November 2014.⁵⁵⁸

BANKING AND FINANCE

The World Bank reported that Afghanistan's banking and financial sector, which has not recovered from the 2010 Kabul Bank crisis, suffers from inadequate regulation and oversight, undercapitalization, and a loss of consumer confidence.⁵⁵⁹

Few Afghan banks operate in accordance with international standards. Audits of major banks in Afghanistan conducted in the wake of the Kabul Bank scandal have revealed "systemic fragility and vulnerability in all areas of banking governance and operations," according to a 2013 World Bank report.⁵⁶⁰ State said Afghanistan's banks also suffer from political interference and lack of oversight.⁵⁶¹ In addition, Afghanistan's existing controls against money laundering and terrorist financing are widely viewed as deficient.⁵⁶²

Many Afghans distrust banks, preferring to borrow and save with family and friends, and to transfer money through informal, trust- or honor-based *hawala* networks.⁵⁶³ Commercial loans plummeted in the wake of the Kabul Bank crisis, according to the World Bank, and the banking sector's **loan-to-deposit ratio** dropped from 56.8% in 2010 to 22.6% in 2013.⁵⁶⁴ Afghans also regularly use foreign currency rather than their national currency, the afghani (AFN), which is depreciating against the dollar.⁵⁶⁵ In early January 2012, a U.S. dollar cost about 49 AFN; on June 30, 2014, it cost about 58 AFN, according to the Afghan central bank.⁵⁶⁶

Banking Law

Afghanistan's new banking law remains pending before parliament.⁵⁶⁷ According to Treasury, failure to enact it will likely lead to weaker financial-sector governance and supervision: Da Afghanistan Bank (DAB) will have less authority to enforce banking regulations, key existing vulnerabilities will remain in the banking sector, and bank supervisors will have less protection and authority in the conduct of their duties. In the event of another bank collapse, there would still be no clear legal framework in place for a resolution process.⁵⁶⁸

Money Laundering

The State Department lists Afghanistan as a major money-laundering country and categorizes it as a jurisdiction of primary concern whose "financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes or are particularly vulnerable to such activity

SIGAR AUDIT

A January 2014 SIGAR audit concluded that without U.S. assistance, and with only limited World Bank and IMF involvement, the banking sector remains unstable and at risk of further instability, threatening sustainable economic and financial growth.

Loan-to-Deposit Ratio: is used to assess a bank's liquidity by dividing its total loans by its total deposits, expressed as a percentage. It is used to calculate the financial institution's ability to cover customer demands to withdraw funds. If the ratio is too high, the bank may have insufficient liquidity to cover unforeseen requirements. If it is too low, banks may not be earning as much as they could.

Sources: Investopedia, "Loan-To-Deposit Ratio," <http://www.investopedia.com/terms/l/loan-to-deposit-ratio.asp>, accessed 9/30/2013; Finance Formulas, "Loan to Deposit Ratio," <http://www.financeformulas.net/Loan-to-Deposit-Ratio.html>, accessed 9/30/2013.

because of weak or nonexistent supervisory or enforcement regimes or weak political will.”⁵⁶⁹ Afghanistan was also ranked as the most vulnerable country at risk for money laundering and terrorist financing, closely followed by Iran, according to a 2013 Basel Institute on Governance study.⁵⁷⁰

Narcotics, corruption, and contract fraud are major sources of the country’s illegal revenues and laundered funds, according to State’s 2014 International Narcotics Control Strategy Report. The report says illegal financial activities “continue to pose serious threats to the security and development of Afghanistan.” This is largely perpetuated by hawala methods of transferring money without moving it. Afghans rely upon hawala networks because of official corruption and weakness in the banking sector. Unlicensed and unregulated hawala brokers in drug-producing areas like Helmand are responsible for much of the money laundering through Afghanistan’s financial system. But Afghan business consortiums that own hawalas and banks are also complicit.⁵⁷¹

Financial Action Task Force

The **Financial Action Task Force (FATF)** held its latest plenary meeting June 25–27, 2014, noting that Afghanistan had taken steps toward improving its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime. Afghanistan was moved off the list of jurisdictions not making sufficient progress—FATF’s “dark-gray” list—and placed on the Improving Global AML/CFT Compliance: On-Going Process or “gray” list.⁵⁷²

Afghanistan’s parliament passed anti-money laundering legislation on June 24, just one day before FATF’s June plenary meeting deadline; President Karzai signed it into law on June 25, the first day of the plenary.⁵⁷³ Parliament also passed anti-terrorist financing legislation on June 25, and President Karzai signed it on July 3—six days after the plenary ended.⁵⁷⁴ Although FATF was not able to thoroughly review the legislation before the plenary given its last-minute parliamentary passage, it determined that Afghanistan had made progress. FATF will evaluate compliance standards and implementation of Afghanistan’s AML/CFT laws during its next plenary in October 2014.⁵⁷⁵

A majority of Afghan banks have been affected either by closure or restriction of one or more of their **correspondent accounts**, and are at risk of future closures due to deficiencies in Afghanistan’s AML/CFT regime and in bank compliance processes.⁵⁷⁶ Treasury said international banks have moved to reduce their compliance risks in response to a less forgiving regulatory environment. However, Treasury expects that some key correspondent accounts will be maintained.⁵⁷⁷

This quarter, Aktif Bank in Turkey reportedly closed U.S. dollar accounts it was holding for Afghan banks.⁵⁷⁸ Media reports also quoted Afghan central bank officials who said Chinese banks have halted dollar transactions with Afghan banks, making it difficult for businesses to pay

“Afghanistan is not capable of independent and sustainable financial investigation without international assistance at the present time; additional mentoring and training is needed in this critical area post-2014.”

Source: DEA, response to SIGAR data call, 6/30/2014.

Financial Action Task Force (FATF): an intergovernmental policy-making body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system.

Correspondent Accounts: Accounts established by a financial institution of one country so it can take deposits or make payments through the financial system of another country, and make use of products and services that may not be available in its own jurisdiction.

Sources: Financial Action Task Force website, “Who We Are,” accessed 4/2/2014; Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering InfoBase, “Correspondent Accounts (Foreign)—Overview,” accessed 10/1/2013; Financial Crimes Enforcement Network, Factsheet: Section 312 of the USA PATRIOT Act Final Regulation and Notice of Proposed Rulemaking,” 12/2005, accessed 7/18/2014.

for imports.⁵⁷⁹ However, China's state-owned news agency called the report "utterly groundless."⁵⁸⁰

A FATF blacklisting does not trigger mandatory severance of correspondent banking relationships, but in extreme cases where the international financial system is deemed threatened—as with Iran and North Korea—FATF members may be asked to apply financial countermeasures, such as rejecting correspondent relationship requests from high-risk countries to open branches and subsidiaries in their jurisdictions.⁵⁸¹

The loss of correspondent accounts could potentially damage the profitability of Afghan banks for which international trade and transaction fees are an important revenue source, and some banks have become more selective in accepting new customers in the tighter regulatory environment. Treasury said any increased difficulty for Afghan customers in gaining access to banks with correspondent relationships could disrupt normal trade and financing. Treasury also said the economic consequences of lost correspondent accounts could be severe, although difficult to predict.⁵⁸²

The Kabul Bank

Afghanistan's Attorney General's Office (AGO) filed no new charges, launched no new prosecutions, and indicted no additional beneficiaries since the Special Tribunal of the Supreme Court issued its judgment of 21 individuals charged with fraud on March 5, 2013, despite both primary and appellate court orders to do so or explain why it did not.⁵⁸³ State's Bureau of International Narcotics and Law Enforcement Affairs (INL) noted these beneficiaries have millions of dollars worth of assets that could be subject to forfeiture.⁵⁸⁴

The U.S. Department of Justice (DOJ) attaché in Kabul again raised the issue of pursuing additional prosecutions with the Attorney General this quarter, to no avail. Scheduled meetings have been repeatedly cancelled—a pattern that has extended to other senior U.S. Embassy officials.⁵⁸⁵

On March 16, 2013, the AGO appealed the verdict of all 21 cases, including the two leaders of the fraud, ex-chairman Sher Khan Farnood and ex-CEO Khalilullah Ferozi, who were given modest five-year prison sentences and required to pay only partial restitution.⁵⁸⁶ DOJ believes the primary court's verdict revealed a fundamental misunderstanding of the crime, most notably the mistaken belief that money laundering did not occur.⁵⁸⁷ The appellate court's decision is still pending.⁵⁸⁸

This quarter, DOJ reported that the lead AGO prosecutor on the appeal said he does not intend to convene the court-ordered meeting at which uncharged shareholders—together with Farnood and Ferozi—were to meet with prosecutors and the Kabul Bank receiver to resolve disputes over defendants' monetary liabilities, until after a new administration is in place.⁵⁸⁹ In April, DOJ met with the Chief Justice of the Supreme Court and asked what Afghan law required the appellate court to resolve accounting

Before its near-collapse in 2010, the Kabul Bank had been Afghanistan's largest private bank, distributing most civil salaries on behalf of the Afghan government. Over 92% of \$935 million that was stolen from the bank went to 19 individuals and companies associated with the bank. Afghanistan's central bank, DAB, covered these losses, equivalent to 5–6% of Afghanistan's GDP at that time.

Source: Independent Joint Anti-Corruption Monitoring and Evaluation Committee, *Report of the Public Inquiry Into the Kabul Bank Crisis*, 11/15/2012, pp. 2, 9.

issues prior to rendering a verdict of guilt or innocence. According to DOJ, the Chief Justice responded as if a different question had been asked.⁵⁹⁰

Limited Cash and Asset Recoveries

During this reporting period, no new information was available on recoveries of money stolen from the Kabul Bank.⁵⁹¹ Total recoveries remain \$174.5 million—less than 20% of stolen funds—as of September 30, 2013, according to Afghanistan’s central bank, which is the sole source of that information.⁵⁹² DOJ cautioned that the Afghan government may claim that it should be credited with recovering an additional \$24 million from the sale of Pamir Airlines, which was owned by Kabul Bank shareholders, to Ariana Afghan Airlines Co. Ltd., a wholly government-owned entity.⁵⁹³ DOJ said there is no indication that Ariana actually needed the additional airplanes, and one of the recently transferred planes, a Boeing 737, promptly crashed at Kabul International Airport. There were no serious injuries, but the airplane was a complete loss and the crash caused roughly \$600,000 in damage to the airport’s flight-control equipment.⁵⁹⁴

DOJ was not aware of any new or additional repayment plans, or of punitive measures taken by the AGO this quarter, against those who are failing to fulfill the terms of existing repayment plans. However, the commercial tribunal convened to assist civil recovery efforts has reportedly issued an order to banks and municipalities to freeze the assets of 52 Kabul Bank loan beneficiaries. Banks have complied with the requests, but municipalities have not. When Kabul Bank Receiver representatives attempted to enforce the order in Mazar-e-Sharif, they were driven away at gunpoint.⁵⁹⁵ Although some individuals within the Afghan government are serious about Kabul Bank accountability, DOJ said the general will among the political elite and senior leadership is “grossly lacking” and their efforts have been “lackluster at best.”⁵⁹⁶ The government has failed to take “all possible steps” to recover stolen assets, as called for in the “hard deliverable” indicators of the Tokyo Mutual Accountability Framework.⁵⁹⁷ DOJ repeatedly suggested to the AGO and senior government officials steps that could have been taken but were ignored, including:⁵⁹⁸

- providing recipients of the original mutual legal-assistance requests with copies of the Special Tribunal’s verdict, and requesting the freezing of assets based on those convictions
- indicting the remaining beneficiaries (as ordered by both the primary and appellate court) and issuing accompanying orders to freeze their domestic assets
- designating a team of attorneys and/or specialists dedicated to asset tracking and recovery, and authorizing them to work freely with international counterparts

Enforcement of asset recovery and accountability for those responsible for the Kabul Bank crisis are Afghan commitments under the Tokyo Mutual Accountability Framework and IMF agreements.

Source: Tokyo Conference on Afghanistan, *Tokyo Mutual Accountability Framework*, 7/8/2012, accessed 7/4/2013; IMF, 2014 Article IV Consultation–Staff Report; Press Release; And Statement By The Executive Director For The Islamic Republic Of Afghanistan, 5/2014.



A jetliner transferred to the Afghan government-owned airline lies wrecked at Kabul’s airport. (FAA photo)

- identifying and confiscating all domestic assets belonging to ex-chairman Sherkhan Farnood and ex-CEO Khalillullah Ferozi, in fulfillment of the primary court's restitution order

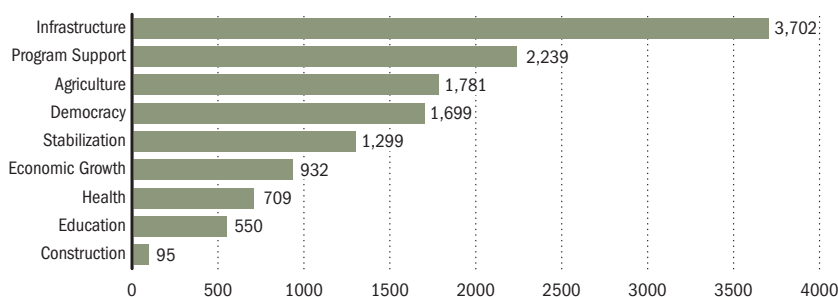
U.S. ECONOMIC-SUPPORT STRATEGY

The economic-transition strategy in Afghanistan in the 2013 U.S. Civil-Military Strategic Framework seeks to mitigate the negative economic impact of the withdrawal of most international security forces in 2014 and the expected accompanying reduction in donor assistance. It also seeks to help Afghanistan develop its resources for sustainable growth.⁵⁹⁹ The United States uses policy advocacy, provides technical assistance, and supports efforts by multilateral institutions like the IMF and World Bank to help Afghanistan increase domestic revenue. According to State, U.S. economic strategies are coordinated at an interagency level through the National Security Council.⁶⁰⁰

Most assistance from the Economic Support Fund (ESF) goes toward USAID's development programs. Figure 3.31 shows USAID assistance by sector.

FIGURE 3.31

USAID DEVELOPMENT ASSISTANCE, AS OF JUNE 30, 2014 (\$ MILLIONS)



Notes: Numbers have been rounded. Program Support projects include staffing, salaries, performance metrics, results tracking, technical assistance to ministries, and funding to the ARTF.

Source: USAID, response to SIGAR data call, 7/10/2014.

USAID is targeting its economic and agricultural programming in four regional economic zones centered on major municipalities, markets, and trade routes. Stabilization and subnational governance programs will focus on areas in and around the zones to protect against destabilizing forces. Water management, education, health, and governance activities will remain national in scope.⁶⁰¹

As shown in Figure 3.32, the eastern zone stretches from the Torkam Gate, which provides access to Pakistan, through Jalalabad, and on toward Kabul. The northern zone continues north from Kabul toward Kunduz and

SIGAR SPECIAL PROJECT

This quarter, SIGAR's Office of Special Projects provided USAID with an analysis of the 19 contracts USAID has terminated in Afghanistan since 2008. SIGAR suggested that USAID assess its current process for terminating contracts, in order to safeguard against the reflexive use of terminations for convenience in situations where a termination for default would be warranted and typically less costly to the U.S. government. For more information, see Section 2, page 43.

FIGURE 3.32

USAID REGIONAL ECONOMIC ZONES



Source: USAID, response to SIGAR data call, 6/30/2014.

Balkh, through Mazar-e-Sharif, ultimately connecting with Afghanistan's northern neighbors, Tajikistan, Uzbekistan, and Turkmenistan. The western zone centers on Herat and is organized in a "hub and spoke" configuration that is favorable to cross-border trade. The southern zone connects Helmand with Kandahar, reaches into Pakistan through the Spin Boldak gate, and connects to Kabul and Herat via the ring road.⁶⁰²

These zones already contain most economic activity in Afghanistan, having a skilled workforce; access to transportation, energy, and water infrastructure; connections to domestic and international markets; agricultural and mineral resources; and entrepreneurs and financing to expand small and medium enterprises. USAID programs will leverage the potential and comparative advantages of each zone.⁶⁰³

USAID On-Budget Assistance to the Afghan Government

SIGAR continues to be concerned about U.S. implementing agencies' ability to ensure adequate oversight of the U.S.-funded reconstruction effort as international combat forces withdraw from Afghanistan in 2014. In line with donor commitments made at the 2012 Tokyo Conference, the United States has been gradually increasing the amount of development assistance it

provides on-budget to the Afghan government, but in FY 2012 and FY 2013 did not reach the 50% threshold pledged at Tokyo.⁶⁰⁴

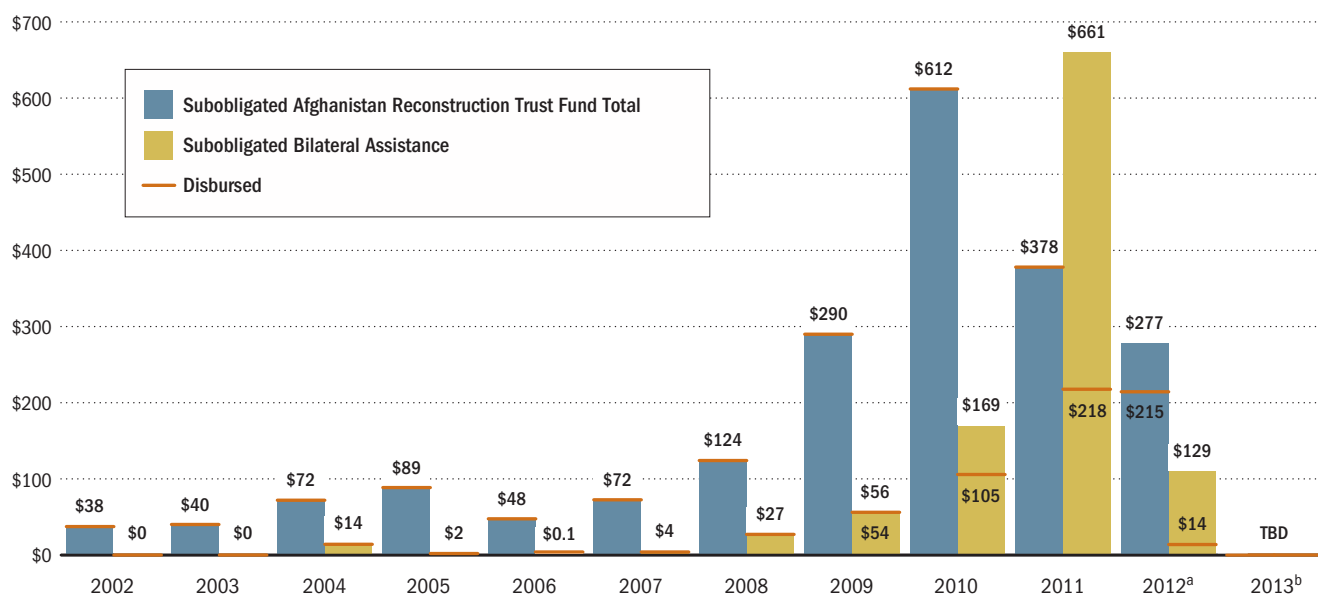
Most U.S. government agencies include as on-budget assistance both (1) direct, bilateral or government-to-government transfers, and (2) contributions to multilateral trust funds such as the Law and Order Trust Fund for Afghanistan (LOTFA), the Afghan Reconstruction Trust Fund (ARTF), and the Afghanistan Infrastructure Trust Fund (AIF). These funds, which are managed by the United Nations Development Programme (UNDP), the World Bank, and the ADB respectively, support the Afghan national budget. The Afghan government provides input, guidance, and oversight, and some projects are run through the government, but the funds are not fully under its control.⁶⁰⁵

By contrast, a large part of public expenditure in Afghanistan is off-budget, directed entirely by international donors or nongovernmental organizations, with no role for the Afghan government. See page 69 for details about all U.S. on-budget funding to Afghanistan.

This quarter, USAID obligated approximately \$86 million and disbursed \$279 million in on-budget assistance, including ARTF, from prior fiscal-year funds. Cumulatively, USAID has obligated \$3.09 billion and disbursed \$2.42 billion in on-budget assistance, as of June 30, 2014, as shown in Figure 3.33.⁶⁰⁶

FIGURE 3.33

USAID ON-BUDGET ASSISTANCE SUBOBLIGATED AND DISBURSED, FY 2002-FY 2013, AS OF JUNE 30, 2014 (\$ MILLIONS)



Notes: Numbers have been rounded. Subobligation is funding for project-level agreements.

^a Most FY 2012 USAID funding for on-budget assistance had not been disbursed as of June 30, 2014.

^b Spending in 2013 was done from prior fiscal-year funds. Subobligations and disbursements for FY 2013 are not yet known.

Source: USAID, response to SIGAR data call, 7/10/2014.

DEVELOPMENT OF NATURAL RESOURCES

The United States, the Afghan government, and the international donor community count on development of Afghanistan's natural resources to underpin future economic growth in the face of declining external aid.

Although mining has contributed less than 2% to the country's GDP to date, the Afghan government expects to eventually receive significant revenues from large-scale investments in the Aynak (copper) and Hajigak (iron-ore) mines, and from oil and gas fields in the Afghan-Tajik basin.⁶⁰⁷

The World Bank estimates annual extractive-sector revenues could reach between \$0.7 billion and \$1.5 billion by 2022–2024.⁶⁰⁸ However, the United States Institute for Peace warned that revenue projections from mineral extraction are often difficult to make with any accuracy, given commodity-price fluctuations and uncertainty whether identified resources can be fully extracted. Moreover, the government will not necessarily receive the full value of Afghanistan's mineral wealth in revenues.⁶⁰⁹

SIGAR has long cautioned that the Afghan government may not be able to earn substantial revenues from Afghanistan's natural resources any time soon because of the considerable infrastructure investment required to develop them, especially given the difficult security environment.

In addition, the Revenue Watch Institute gave Afghanistan a failing grade in 2013 for its minimal oversight of the mining-licensing process and of state-owned mining companies. It said lawmakers do not receive regular reports on licensing decisions, which cannot be appealed, and are denied access to certain major mining contracts deemed confidential. Allegations that members of the executive and legislative branches benefit from contracts won by relatives cannot be confirmed; Afghanistan's Audit and Control Office does not specifically review resource revenues, and the reports it does prepare are not published.⁶¹⁰

An Integrity Watch Afghanistan report this quarter compared Afghanistan's governance of its mining-industry to best practices in six countries in order to help highlight Afghanistan's opportunities and challenges. It found that corruption is a major investor concern in Afghanistan, and that mining-sector transparency—in licensing process, tax and royalty data, distribution of funds, and public access to information—along with good governance were essential to sustainable development that benefits the public.⁶¹¹

New Minerals Law

The *Wolesi Jirga*—Afghanistan's lower house of parliament—passed a new minerals law on May 3, 2014, followed by the *Meshrano Jirga*—the upper house—on July 1.⁶¹² The president has not yet signed it. The law is meant to better protect Afghan resources, encourage investors, and align regulations to international best practices. As currently written, however, the law requires mining companies to give preference to Afghan labor and

to prioritize purchasing Afghan, rather than foreign goods. These provisions do not comply with WTO rules and could deter private investment.⁶¹³ Moreover, the World Bank assessed large gaps in the quality and availability of local Afghan goods and services needed for the extractives sector.⁶¹⁴

The Task Force for Business and Stability Operations (TFBSO) previously warned that without legislative reform that includes linking investor exploration with extraction rights, and institutes a formal and fixed royalty rate, many companies will not bid on new tenders.⁶¹⁵ TFBSO believes, but cannot confirm, that the lower house-passed version includes that linkage. Other investor concerns include the right to transfer licenses from one company to another if the original company is purchased—a standard practice in the mining community—and the critical ability to transfer funds in and out of the country through a functional banking system.⁶¹⁶

Passing a new law is an important Tokyo Mutual Accountability Framework benchmark to improve Afghanistan's revenues and overall fiscal and external sustainability.⁶¹⁷ The law must still be approved by the president.⁶¹⁸

Impediments to Investment

The delayed new mining law, TFBSO notes, is not the only impediment to investment in Afghanistan's extractive industries.⁶¹⁹

Private mining companies are concerned about the country's lack of security. There is also a lack of available capital in the mining industry. Commodity prices, including for copper, gold, natural gas, and other fuels, are expected to be flat or declining over the next 12 months, giving investors less incentive to invest in riskier countries.⁶²⁰

A number of contracts remain unsigned this quarter, including Shaida (copper, awarded in November 2012); Badakhshan (gold, November 2012); Balkhab (copper, November 2012); and Zarkashan (gold, December 2012).⁶²¹ These are exploration contracts that were negotiated under the existing minerals law and do not contain extraction rights. TFBSO reported these contracts have twice been submitted by the Ministry of Mines and Petroleum (MOMP) for cabinet consideration, but with no action taken.⁶²²

There is also no reported change in contract negotiations for the Hajigak iron-ore concessions this quarter.⁶²³ The MOMP awarded three blocks to Afghan Iron and Steel Consortium (AFISCO), a seven-member consortium led by state-owned Steel Authority of India Ltd. in November 2011, and one block to Canadian Kilo Iron Ore, a subsidiary of Kilo Goldmines.⁶²⁴ News reports indicate that AFISCO is considering cutting its initial investment from \$11 billion to \$1.5 billion, and that they are waiting for approval of the new mining law.⁶²⁵

Currently there is no work under way at the Mes Aynak copper mine in Logar Province other than continuing archeological mitigation of cultural relics in the area.⁶²⁶ TFBSO suspects other factors contributing to the delay

include unwieldy contract terms, volatility in the minerals market, and China's penchant for arranging mineral projects, then "shelving" them for future use.⁶²⁷ The Afghan government awarded the contract for extraction rights at Mes Aynak in 2008, but its hoped-for royalties have not yet been realized.⁶²⁸ Afghanistan's FY 1393 national budget does not anticipate any revenue from Aynak; the FY 1392 budget had projected \$50 million that never materialized.⁶²⁹

Illegal Mining

The majority of mines operating in Afghanistan, 1,400 by some estimates, are unlicensed and illegal.⁶³⁰ The lack of proper government regulations and licensing rules is one contributing factor. Illegal mines operate with little or no regard for worker health and safety, and without proper procedures for extraction, placing workers at tremendous risk of injury or death. Workers in these mines also have limited or no recourse if injured or unpaid. Additionally, the government misses out on royalty, tax, and land-rent revenues. Often, extracted minerals are sold on the black market to insurgent groups or other buyers at much lower prices than if they were sold legally.⁶³¹

The United Nations (UN) reported that Taliban income derived from narcotics and illegal mining allow it to resist a lasting peace settlement with the Afghan government, while denying the government much-needed revenue.⁶³² In Helmand, for instance, the Taliban were expected to receive \$50 million from the May 2014 poppy harvest alone and \$10 million annually from operating 25–30 illegal marble-mining sites in the province. In contrast, Afghanistan's official marble industry generates \$15 million in annual government revenue.⁶³³

Combating illegal mining is difficult, given that it is often done on family or tribal land whose owners claim rights to its resources. Also, the workers employed by these mines might otherwise join the insurgency as a means of financial support. Moreover, TFBSO said the government's limited number of capable staff is not focused on small, artisanal mining operations at this time.⁶³⁴

Assistance to the Ministry of Mines and Petroleum, Afghanistan Petroleum Authority, and the Afghanistan Geological Survey

The United States continued to provide technical assistance this quarter to the MOMP, the ministry's Afghanistan Petroleum Authority (APA), and the Afghan Geological Survey (AGS), largely through TFBSO and the U.S. Geological Survey. These organizations are supporting mineral and hydrocarbon tenders as well as oil-and-gas data management. This quarter, the U.S. Geological Survey continued its on-the-job training at the AGS, including data compilation and data packages on mining areas of interest using mapping and illustrative software, geophysics, and hyperspectral imaging training.⁶³⁵

TFBSO also continued its subject-matter-expert support to the APA—technical (oil and gas engineering), legal (contract implementation), and financial (accounting and analysis) services; classes on exploration and production-sharing contracts; and on-the-job training, as needed. On-the-job training topics include contractor communication (email and letter writing); work program and budget analysis; market research; and health, safety, and environment protection.⁶³⁶

TFBSO awarded a grant to the Missouri University of Science and Technology—partnered with the University of Nebraska, Omaha, and Turkey’s Middle East Technical University—to train Kabul Polytechnic University faculty in geology and mining exploration. This grant will help Kabul Polytechnic University develop curricula and provide professional development.⁶³⁷ Finally this quarter, TFBSO facilitated evaluation by Afghanistan’s inter-ministerial evaluation committee for two cement tenders.⁶³⁸ TFBSO obligated \$10.7 million in FY 2014 for mining-sector development, as of June 30, 2014.⁶³⁹ TFBSO’s authority is scheduled to expire at the end of 2014.⁶⁴⁰

USAID is funding ongoing technical assistance to the APA with training this quarter focused on natural-gas processing and gas-utility business methodologies, and gas-well drilling operations and maintenance. These capacity-building efforts are expected to continue through March 2015.⁶⁴¹

Mining Investment and Development for Afghan Sustainability

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Mining Investment and Development for Afghan Sustainability	03/31/2013	03/31/2017	\$41,670,943	\$7,525,325

Source: USAID, response to SIGAR data call, 7/10/2014.

SIGAR AUDIT

An ongoing SIGAR audit focuses on the extent to which TFBSO and USAID programs met their goals to develop Afghanistan’s extractives industry and the challenges, if any, to creating a stable and lasting source of extractives revenue for Afghanistan.

USAID’s only mining program, the Mining Investment and Development for Afghan Sustainability (MIDAS), has on- and off-budget components. The \$41.6 million off-budget Phase I is focusing on legal and regulatory reform, technical assistance to the MOMP, small- and medium-size enterprise development, and assistance in geo-science field investigation. It will provide other support as needed. The \$45 million on-budget Phase II has not yet begun, but is designed to strengthen the MOMP so it can procure, implement, and monitor completion of mining tender packages.⁶⁴² As of June 30, 2014, USAID had obligated \$16 million and disbursed approximately \$5.72 million to begin off-budget implementation.⁶⁴³

This quarter, MIDAS held several workshops for MOMP, USAID, and U.S. Embassy Kabul officials on legal and regulatory reform. MIDAS also identified three drilling locations in northern Afghanistan that could be ready for

near-term exploration or extraction, and provided training to AGS geologists and small-to-medium enterprises.⁶⁴⁴

Capacity of the Ministry of Mines and Petroleum

The MOMP has capacity, monitoring, and oversight weaknesses, according to TFBSO. A small group of knowledgeable and capable, yet overworked, employees do most of the work. Although several key mid-level MOMP staff left after months of not getting paid, TFBSO believes incremental progress is still being made at the ministry.⁶⁴⁵

The MOMP has either taken the lead or is close to taking the lead in tender evaluation, contract negotiation, and awards. However, there is no formal capacity-building program in place other than the AGS training described on page 165. Monitoring and oversight will be crucial as mineral exploration contracts are signed; TFBSO recommended that USAID focus its MIDAS program in these areas. TFBSO views effectively managing existing tenders as more important than offering new ones.⁶⁴⁶

Hydrocarbons

Afghanistan's efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan.⁶⁴⁷ Even with two operational refineries, Afghanistan lacks adequate refining capacity, and remains heavily import-dependent for fuels. The country imports 10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and Iran.⁶⁴⁸

Despite 75 billion cubic meters of known natural gas reserves and an estimated 444 billion cubic meters in **undiscovered but technically recoverable reserves**, Afghanistan's gas sector is "mired with infrastructure and regulatory deficits," according to the ADB. The ADB said capital investments from public- and private-sector funding are needed to help Afghanistan overcome its challenges and realize its resource potential. Currently, Afghan Gas Enterprise, the national gas utility, produces approximately 380,000 cubic meters per day from four gas fields it owns and operates, nearly all of which is supplied to the Northern Fertilizer and Power Plant.⁶⁴⁹

Amu Darya Basin

The three blocks of the Amu Darya Basin awarded to the China National Petroleum Corporation Watan Energy Afghanistan in 2011 are estimated to contain 87 million barrels of crude oil.⁶⁵⁰ One of the three blocks has infrastructure in place to begin producing 5,000 barrels per day. Production was stalled but restarted this quarter, averaging 35,000 barrels per month (or 1,141 per day) from March to May 2014.⁶⁵¹

So far, the government has received \$1.8 million in royalties from this award.⁶⁵² A \$500,000 royalty payment was due the Afghan government on

Undiscovered, technically recoverable resources: model-based assessments based on geophysical, geological, technological, and economic information.

Source: U.S. Bureau of Ocean Energy Management, "Assessment of Undiscovered Technically Recoverable Oil and Gas Resources of the Nation's Outer Continental Shelf, 2011," 11/2011, accessed 7/10/2014.

May 31, 2014, but had not been paid as of July 1. The government expects about \$60,000 per day from the basin at full production.⁶⁵³

On January 7, 2014, the MOMP officially opened a new tender for exploration, development, and production in the Totimaidan block, comprising 7,131 square kilometers in the Amu Darya Basin.⁶⁵⁴ The contract area contains 28 billion cubic meters of reserves in two known gas fields and more than 50 proven and prospective subsurface structures.⁶⁵⁵ Two international/Afghan consortiums submitted bids this quarter. The MOMP expects to announce the winning bid and sign a contract in late summer 2014.⁶⁵⁶ TFBSO provided tender-preparation assistance to the MOMP, as well as technical, legal, commercial, and transparency advisory services.⁶⁵⁷

Independent Power Producer Program

Seeing a need to leverage Afghanistan's natural gas to generate domestic power, reduce power imports, and promote economic growth, TFBSO performed due diligence on several independent power producers this quarter and connected them with Afghan government officials. A U.S.-based private-investor consortium was chosen to build, own, and operate a 16 MW capacity modern natural-gas power plant adjacent to the Northern Fertilizer and Power Plant in Mazar-e-Sharif. The investors will buy approximately 110,000 cubic meters of natural gas per day from Afghan Gas Enterprise, produce electricity through high-efficiency natural gas generators, and sell the plant's full electricity production to Afghanistan's national utility company, Da Afghanistan Breshna Sherkat (DABS).⁶⁵⁸

TFBSO believes in-country independent producers will reduce imported power in the Mazar-e-Sharif region from \$48 million to \$34 million annually; that the investors will be able to sell reliable electricity to DABS at prices competitive with imports; that reliable power will promote industrial development; and that the additional domestic power can increase Afghanistan's GDP by an estimated \$140 million annually.⁶⁵⁹

Sheberghan Program

Gas reserves in northern Afghanistan are estimated to be capable of generating up to 10,000 MW hours per year for 25 years, according to USAID. A study will be completed later this year.⁶⁶⁰ Sheberghan holds the potential for cheap natural gas and could be competitive with imported power from Uzbekistan, according to the World Bank.⁶⁶¹ Both USAID and TFBSO have active programs in the area.⁶⁶²

USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation through two mechanisms: the \$90 million, on-budget Sheberghan Gas Development Project (SGDP), and the \$35 million, off-budget Sheberghan Gas Generation Activity (SGGA).⁶⁶³ USAID will pay \$30 million on budget through SGDP to rehabilitate two wells and drill one well in the Juma and Bashikurd field in

the Amu Darya Basin. An additional \$7 million will come from Afghanistan's national budget.⁶⁶⁴ Drilling is scheduled for July/August 2014.⁶⁶⁵ If the gas wells have sufficient capacity to fuel a 200 MW gas power plant, USAID will fund a gas-gathering system and gas-processing plant to fuel it with its remaining \$60 million, on budget through SGDP.⁶⁶⁶

The off-budget SGGA component will provide technical assistance to the MOMP to drill three gas wells and to help the MOMP tender the Engineering/Procurement/Construction contract for the gas-gathering system and gas-processing plant.⁶⁶⁷ As of June 30, 2014, approximately \$23 million has been obligated, of which more than \$14.8 million was disbursed.⁶⁶⁸

TFBSO is helping Afghan Gas Enterprise rehabilitate the existing 55.4 mile Sheberghan to Mazar-e-Sharif pipeline, and improve the pipeline's capacity as well as the quality of the gas flowing through it. The pipeline currently transports 380 million cubic meters of natural gas per day and is expected to increase to 680–960 million cubic meters per day upon project completion.⁶⁶⁹

Compressed Natural Gas

TFBSO is helping Afghanistan develop a compressed natural-gas (CNG) industry. It constructed a CNG station in Sheberghan (CNG #1), which was awarded to a private operator: Qashqari Oil and Gas Services began operating CNG #1 independently on May 12, 2014. Qashqari also won the right of first refusal for a CNG station in Mazar-e-Sharif (CNG #2), which TFBSO is now developing.⁶⁷⁰

AGRICULTURE

Agriculture continues to be the main source of employment and subsistence for the Afghan population. Only 12% of the land is arable and cultivated areas are substantially less, yet the sector accounts for 31% of GDP and, according to the latest World Bank report, provides employment to about 59% of the labor force.⁶⁷¹ Given its importance, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.⁶⁷²

Between FY 2002 and FY 2012, USAID provided approximately \$2.46 billion for agricultural and alternative development funding to improve production, increase access to markets, and provide alternatives to poppy cultivation.⁶⁷³ Of that, USAID has obligated and disbursed \$54 million in direct assistance to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL).⁶⁷⁴

USAID is currently providing on- and off-budget assistance to the agriculture sector through several programs. USAID's three highest-priority programs, worth nearly \$350 million total, are:

- Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE)
- Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW)
- Commercial Horticulture and Agricultural Marketing Program (CHAMP)

Alternative Development Programs

USAID's Alternative Development (AD) programs aim to promote licit crop production where poppy has been or is currently cultivated. However, AD efforts are not sufficient to reduce poppy cultivation directly because that would require improved security and the Afghan government's commitment to eradicate poppy, especially in areas where viable economic alternatives exist. Therefore, USAID said AD projects do not directly measure changes in poppy-cultivation levels.⁶⁷⁵

AD programs measure indicators such as the percentage increase in household income from licit agriculture in targeted areas; the number of households benefited by alternative development interventions in targeted areas; and the number of farmers growing high-value crops as a result of U.S. assistance. The Kandahar Food Zone (KFZ) does not receive AD funding and uses indicators of reduced poppy cultivation in its targeted areas to measure progress.⁶⁷⁶

USAID's AD assistance is not conditioned on community or household commitments to abstain from poppy cultivation. USAID assumes that once alternative high-value and economically competitive licit crops produce income, rural households would be more willing to stop poppy production.⁶⁷⁷ USAID said AD interventions and poppy cultivation are not necessarily exclusive. For example, farmers can grow high-value vegetables in the summer and poppy in the winter. Furthermore, converting land used for poppy to less labor-intensive crops such as wheat has had the unintended consequence of displacing sharecroppers and landless laborers, some of whom have migrated to areas outside of government control to continue growing poppy.⁶⁷⁸

Agricultural Credit Enhancement and Agricultural Development Fund

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Agricultural Credit Enhancement	7/15/2010	1/15/2015	\$75,175,296	\$67,656,768
Agriculture Development Fund	7/18/2010	12/31/2014	\$74,407,662	\$54,000,000

Source: USAID, response to SIGAR data call, 7/10/2014.

Five Active Projects Receive Alternative Development Funding

1. Regional Agricultural Development Program-South (RADP-S)
2. Regional Agricultural Development Program-West (RADP-W)
3. Regional Agricultural Development Program-North (RADP-N)
4. Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW)
5. Commercial Horticulture and Agricultural Marketing Program (CHAMP)

Regional Alternative Development Programs aim to accelerate regional economic growth and provide alternative income sources for those who currently depend on illicit activities. Program activities include cash-for-work programs, developing livestock and horticulture, supporting business development, and improving infrastructure.

Sources: USAID, response to SIGAR data call, 6/30/2014; USAID, Alternative Development Programs/Northern Region, 8/22/2013; USAID, Alternative Development Programs/Southern Region, 8/22/2013.

The Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE) are two complementary activities that aim to support MAIL's efforts to provide credit and build ADF staff capacity to manage a credit program. ADF was established to provide loans across the agricultural value chain through banks, farm stores, leasing companies, and food processors. Much of this credit is then extended to farmers. ACE is a technical-assistance component that manages all ADF lending activities and helps build MAIL capacity.⁶⁷⁹

As of April 30, 2014, ADF's loan portfolio was \$91.8 million, and loans disbursed were \$44.5 million, with \$24.5 million repaid. Another 21 loans are in the pipeline. According to USAID, the 4.65% of its portfolio was at risk, which is within the standard acceptable rate in developed countries. ADF has provided direct loans to 23,068 farmer households through farmer associations and networks.⁶⁸⁰

Incentives Driving Economic Alternatives-North, East, and West

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Incentives Driving Economic Alternatives-North, East, and West	3/2/2009	2/28/2015	\$159,878,589	\$143,385,995

Source: USAID, response to SIGAR data call, 7/10/2014.

Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW) is a cooperative-agreement project that provides agricultural assistance to farmers and agribusinesses in eastern, northern and western provinces. IDEA-NEW promotes high-value, legal agricultural production that can serve as an alternative to poppy cultivation by increasing commercial opportunities, extending access to financial services, and promoting value-chain development for key regional industries and trade corridors. It also facilitates connections between producers, traders, and buyers through market-information activities and sales promotion.⁶⁸¹

Commercial Horticulture and Agricultural Marketing Program

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Commercial Horticulture and Agricultural Marketing Program	2/1/2010	12/30/2014	\$40,320,241	\$36,489,341

Source: USAID, response to SIGAR data call, 7/10/2014.

The Commercial Horticulture and Agricultural Marketing Program (CHAMP) aims to displace poppy cultivation by helping farmers plant and operate more profitable orchards and vineyards, and by enhancing

crop quality and promoting export and trade corridors. The program also works with traders to improve harvesting, packing, cool storage, and shipping methods.⁶⁸³

Under the program's Cooperative Agreement, extended until December 2014, CHAMP has shifted to a value-chain approach that emphasizes post-harvest handling and market activities. CHAMP carries out activities throughout five main value chains (grapes, almonds, pomegranates, apricots, and apples) and one subvalue chain (melons).⁶⁸⁴

Kandahar Food Zone

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Kandahar Food Zone	7/31/2013	7/30/2015	\$18,695,804	\$3,876,000

Source: USAID, response to SIGAR data call, 7/10/2014.

Although the Kandahar Food Zone (KFZ) program is one year into implementation with only one year to go, less than 21% of committed funds have been disbursed, raising questions about the program's implementation.⁶⁸²

The Kandahar Food Zone (KFZ) program is designed to identify and address the drivers of poppy cultivation in seven targeted districts, which represent 89% of total poppy cultivation.⁶⁸⁵ KFZ has two major components: capacity building at the Ministry of Counter Narcotics (MCN) and alternative-livelihood projects. The capacity-building component seeks to build up the MCN's ability to create, implement, and manage alternative-livelihood projects. The alternative-livelihood component aims to improve community infrastructure and increase legal economic opportunities.⁶⁸⁶

USAID reported that the KFZ office in Kandahar was closed from February 27 to March 19, 2014, because the Afghan Public Protection Force (APPF) had not fulfilled its contractual obligations to provide uniforms and weapons to its guards, forcing the Kandahar office staff to work from home.⁶⁸⁷ As noted in the Security section of this report, the APPF is currently in a state of transition; it is uncertain who will be providing these types of security services in the future. For more information, see Security, page 90.

In this reporting period, the Kandahar provincial governor approved concept notes for 13 projects: two dams and 11 irrigation canals. By the end of May 2014, the provincial governor had approved only one of 29 alternative-development concept notes. These projects are expected to address the lack of irrigation water, which has been identified as one of the root causes of farmers' turning to poppy cultivation.⁶⁸⁸

Other Active USAID Agriculture Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Famine Early Warning System Network (FEWSNET) Phase III	12/29/2011	12/28/2016	\$4,375,792	\$2,420,553

Continued on the next page

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Strengthening Afghanistan Agricultural Faculties (SAAF)	3/25/2011	12/31/2016	\$7,824,209	\$5,561,658
Afghan Agricultural Research and Extension Development (AGRED)	7/17/2012	7/16/2017	23,638,611	5,383,925
Improving Livelihoods and Governance Through Natural Resource Management	4/10/2010	12/31/2014	14,000,000	12,023,167
IWMP-Irrigation and Watershed Management Program	12/21/2012	12/19/2017	129,963,114	13,475,767
Regional Agriculture Development Program (RADP)-South	10/7/2013	10/6/2018	125,075,172	5,238,808
Regional Agriculture Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	0

Source: USAID, response to SIGAR data call, 7/10/2014.

ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase electric supply and access, electricity, build roads and bridges, and improve health and education in Afghanistan. This section addresses key developments in U.S. efforts to improve the government's ability to deliver essential services such as electricity, transportation, health, and education.

Energy

Afghanistan imports approximately 73% of its total power supply. Electricity imports are expected to rise in the near term, according to a recent World Bank report, which also noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.⁶⁸⁹ It has one of the lowest rates of electrification in the world, with only 25% of Afghans connected to the power grid. Of those who are connected, an estimated 75% live in urban areas.⁶⁹⁰

Because electricity is critical to Afghanistan's development, the United States, in collaboration with the Afghan government and the international community, has made developing an integrated energy sector one of its top reconstruction priorities since 2002.⁶⁹¹ From FY 2002 to FY 2012, the United States spent more than \$2 billion on Afghanistan's power sector.⁶⁹²

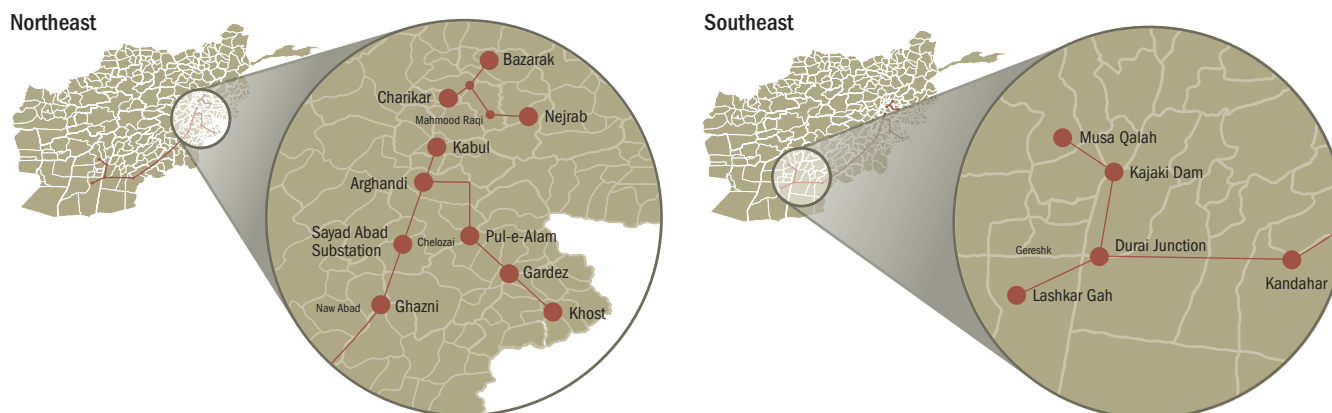
From 2002 through 2012, USAID alone provided more than \$2 billion from the ESF to build generators, substations, and transmission lines, and provide technical assistance to the sector. It plans to spend at least \$814 million more over the next few years using FY 2010–2013 funds.⁶⁹³ In

SIGAR SPECIAL PROJECT

This quarter, SIGAR's Office of Special Projects wrote to the U.S. Department of Agriculture (USDA) about its review of USDA's \$34.4 million Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI). USDA had confirmed that soybean production in Afghanistan has not met expectations and there are doubts about the long-term sustainability of a soybean-processing factory built as part of the project. SIGAR suggested that prior to any further investment in SARAI, USDA implement a thorough and comprehensive evaluation of the project's future sustainability, including a review of existing research on the economic viability of growing and marketing soybeans in Afghanistan. For more information, see Section 2, page 42.

FIGURE 3.34

Overview of the Northeast and Southeast Power Systems



Note: Locations and routes are approximate.

Source: DOD, response to SIGAR data call, 4/3/2014.

NEPS: imports electricity from the Central Asian Republics to provide power to Kabul and the communities north of Kabul.

SEPS: draws most of its power from the Kajaki Dam and from diesel generators in Kandahar City to provide power in the Helmand and Kandahar areas.

Source: DOD, Report on Progress Toward Security and Stability in Afghanistan, 11/2013, accessed 12/29/2013.

addition, DOD has provided approximately \$292 million for electricity projects through the Commander's Emergency Response Program (CERP) and roughly \$700 million through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.⁶⁹⁴

Afghanistan currently has nine separate power systems. The primary two are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**, as shown in Figure 3.34. USAID has three projects to connect and increase the electricity supply in both systems—Sheberghan (discussed on page 168); the Kandahar-Helmand Power Project, which includes Kajaki Dam hydropower; and the Power Transmission Expansion and Connectivity Program. DOD is contributing to both NEPS and SEPS through AIF projects. The Afghan government, coordinating closely with USAID and DOD, prioritized these programs to increase the availability of affordable, grid-based power. Connecting the power grids is intended to promote the best use of lowest-cost generation, reduce the need for duplicative generating reserves, and improve system reliability.⁶⁹⁵

Kandahar-Helmand Power Project

The Kandahar-Helmand Power Project (KHPP) is intended to increase power supply and reliability in Kandahar and Helmand Provinces. It was designed to support interim diesel power for critical needs, increase long-term sustainable hydropower from Kajaki Dam, and reduce losses while strengthening the SEPS transmission and distribution system.⁶⁹⁶ USAID has transferred responsibility for installing a third turbine at Kajaki to Da

Afghanistan Breshna Sherkat (DABS), Afghanistan's national utility. USAID also turned over the remaining components, two substations and two diesel generation plants, to DABS.⁶⁹⁷ DOD is using the AIF to fund fuel for the U.S. Army Corps of Engineers-installed diesel generators in Kandahar City.⁶⁹⁸

This quarter, fighting in southern Afghanistan reportedly led to long power outages in Helmand and Kandahar. Power cables from Kajaki Dam to Lashkar Gah and to Kandahar City were damaged.⁶⁹⁹ While attempting to repair the broken transmission lines, the deputy head of the Sangin district power department was killed.⁷⁰⁰

Power Transmission Expansion and Connectivity Program

The U.S.-funded Power Transmission Expansion and Connectivity (PTEC) program was designed to strengthen and expand the power-generation, transmission, and distribution systems. This program directly supports the National Energy Supply Program of the Afghanistan National Development Strategy, which calls for improving the collection rate against energy billings and increasing the supply of power.⁷⁰¹ Toward that end, PTEC's commercialization and capacity-building components aim to reduce technical and commercial losses.⁷⁰² DABS is responsible for procuring all PTEC contracts with significant support from USAID.⁷⁰³

In addition to strengthening and expanding NEPS, a key component of PTEC is funding 304 miles of the 329 mile transmission line between Kabul and Kandahar to connect NEPS with SEPS. Connecting NEPS to SEPS is a multi-donor effort funded through the ADB-administered Afghanistan Infrastructure Trust Fund (AITF), which funds projects on-budget through DABS or other Afghan government ministries.⁷⁰⁴ As of June 30, 2014, USAID has obligated \$180.3 million to AITF and disbursed \$105 million.⁷⁰⁵

A USAID audit published this quarter found that the \$307 million, 105 MW-capable, USAID-funded Tarakhil Power Plant was not being operated and maintained in a sustainable manner by DABS. The plant was still dependent on external technical assistance even though it was turned over to DABS in June 2010. It was not being used regularly—operating only at 2.2% of its capacity—and thus not increasing Kabul's power supply. Additionally, the plant did not track inventory, DABS did not provide adequate management support, and DABS had not developed a proper operating budget for the plant. USAID has since begun building the capacity of DABS Tarakhil Power Plant staff under a project called DABS PTEC Commercialization Part 2 Contract for Power Generation.

Several SIGAR audits have questioned U.S. sustainment plans

for U.S.-funded energy projects, which rely on DABS and the Afghan government assuming responsibility for the projects. SIGAR pointed out that these Afghan government entities have questionable capacity and lack the resources—financial and otherwise—necessary to fulfill its commitments. In January 2010, SIGAR said the long-term sustainability of the Kabul Power Plant—also known as the Tarakhil Power Plant—depends, in part, on the Afghan government's ability to fund the required fuel purchases and operations and maintenance costs. At that time, SIGAR predicted Afghanistan would need assistance for fuel purchases and warned that if DABS commercialization efforts falter, the United States may face the difficult decision of whether to continue funding Kabul Power Plant operations or allowing it to fall into disuse.

Sources: USAID, Review of Sustainability of Operations at Afghanistan's Tarakhil Power Plant (Report No. F-306-14-002-S), 6/19/2014; SIGAR, Audit Report 12-12, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are Behind Schedule and Lack Adequate Sustainment Plans*, 7/2012; SIGAR, Audit Report 10-4, *Afghanistan Energy Supply Has Increased But An Updated Master Plan Is Needed And Delays And Sustainability Concerns Remain*, 1/15/2010; SIGAR, Audit Report 12-12, *Contract Delays Led To Cost Overruns For The Kabul Power Plant And Sustainability Remains A Key Challenge*, 1/20/2010.

Congress cut the President's FY 2014 budget request for AIF to complete DOD's portion of the NEPS and SEPS from \$279 million to \$199 million. Congress also mandated that no more than 50% of FY 2014 AIF funds can be used until 15 days after the Secretary of Defense certifies that the United States has signed a Bilateral Security Agreement with Afghanistan that is in the U.S. national-security interest. Furthermore, FY 2014 AIF funds cannot be used to plan, develop, or construct any project for which construction did not start before the legislation's enactment (January 17, 2014).

Sources: National Defense Authorization Act for Fiscal Year 2014, Sec.1224, pp. 253-254; Consolidated Appropriations Act, 2014, Sec. 9016, p. 344; Library of Congress, Bill Summary & Status, 113th Congress, H.R. 3547, Major Congressional Actions; DOD, response to SIGAR data call, 4/3/2014.

The NEPS-SEPS connector will include eight substations located at major population centers along the way. This connection, together with the rehabilitation of the Kajaki Hydropower Plant, was identified in 2010 as the only viable, long-term solution to displace costly and unsustainable diesel-power generation in Kandahar. Completion of the NEPS-SEPS connector is expected in the 2017/2018 timeframe.⁷⁰⁶

DOD-Funded Programs

This quarter, DOD continued implementing several priority energy-sector projects using FY 2012 and FY 2013 AIF money. On June 20, 2014, the U.S. Army Corps of Engineers (USACE) issued a request for proposals to design and construct SEPS transmission lines from the Tangi substation near Kajaki Dam to the Lashkar Gah diesel power plant. This project aims to provide a reliable source of electricity to unserved populations, underpin the national grid, and allow for the grid's expansion.⁷⁰⁷ Phase I proposals were due July 21, 2014.⁷⁰⁸

AIF projects are supposed to contribute to counterinsurgency strategy and development. AIF notifications to Congress describe these contributions in detail. The most recent notification was dated August 2013.⁷⁰⁹ However, DOD has located no studies that explore the relationship between electrical power and reduced violence in Afghanistan. Moreover, DOD explained that because AIF-funded projects are still under construction, their long-term counterinsurgency and economic development benefits "cannot be assessed at this time."⁷¹⁰

Ongoing AIF projects include:⁷¹¹

- Kandahar Power Bridging Solution
- Kandahar–Durai Junction transmission lines
- Charikar–Bazirak and Charikar–Mahmood Raqi transmission lines and power substations
- Kajaki Dam to Musa Qalah transmission lines

Kandahar Power Bridging Solution

This project is providing fuel for the diesel generators in Kandahar City until affordable, sustainable power becomes available through the joint DOD-USAID effort to expand and connect NEPS and SEPS systems.⁷¹² The generators at Shorandam Industrial Park and Bagh-e-Pol have a combined average output of 8–13 MW, and were transferred to DABS in December 2013, along with six months of spare parts and consumables. DOD technical assistance to DABS will continue throughout 2014.⁷¹³ DOD plans to provide fuel through September 2015 at a declining subsidy each month.⁷¹⁴

DABS officials told SIGAR that if DOD had stopped providing fuel at the end of 2014 as previously planned, DABS might not have the money to keep the generators fueled. The officials also cautioned that it appears unlikely that DABS will have sufficient alternative energy sources to offset

lost diesel power. Since Kajaki Dam's third turbine and the NEPS–SEPS Connector projects will take time to complete, it is possible that thousands of Kandahar homes and businesses will not have access to electricity in early 2015.⁷¹⁵

DOD funding levels have not changed from last quarter. FY 2012 funding remains at \$79.8 million for fuel and operations and maintenance (O&M). The FY 2013 cost is \$100 million, which includes \$90 million for fuel and \$10 million for O&M.⁷¹⁶ Additional measures to integrate the power grid in the area—the Kandahar Power Management project—were set aside after Congress reduced FY 2014 AIF appropriations.⁷¹⁷

Kandahar to Durai Junction Transmission Lines

Part of the effort to expand SEPS, this project continues earlier efforts to install or repair transmission lines from Kandahar City to Durai Junction and to construct or repair substations at Maiwand and Pashmul. The cost for this project, awarded in 2012, remains \$40 million in FY 2012 funds. This transmission line constitutes a key element for the larger PTEC project linking SEPS and NEPS and addresses the need for reliable electricity in Afghanistan's south and southeast. Completion of this project is essential to distribute power generated by the third turbine awaiting installation at Kajaki Dam, according to DOD.⁷¹⁸

Charikar–Bazirak and Charikar–Mahmood Raqi Transmission Lines and Power Substations

This project will install 52 miles of transmission lines from Charikar to Bazirak and from Charikar to Mahmood Raqi. It will also build three power substations to expand NEPS. DOD has allocated \$38 million in FY 2012 funds and \$33 million in FY 2013 funds for the project, for a total estimated cost of \$71 million, according to an August 2013 DOD notification to Congress. Annual estimated O&M costs for the transmission lines and substations are \$580,000.⁷¹⁹

DABS will assume responsibility for O&M. Increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment, according to DOD.⁷²⁰ However, SIGAR has raised questions about DABS' capacity and said Afghanistan lacks the resources necessary to pay for O&M.⁷²¹

Kajaki Dam to Musa Qalah Transmission Lines

This project is building new transmission lines from the Kajaki Dam hydropower plant to Musa Qalah in Helmand Province. The \$12 million in FY 2013 funds allocated for Phase I of the project will construct approximately nine miles of new 110kV transmission line from Kajaki to a new substation that will join with the existing 20kV transmission line. Phase II plans to use \$49 million in FY 2014 funds to build 23 miles of 110kV

SIGAR SPECIAL PROJECT

This quarter, SIGAR's Office of Special Projects wrote to DOD about the U.S. government's plan to provide electrical power in Kandahar after December 2014, including any interim bridging solutions, the timelines for completing NEPS and SEPS, updates on Kajaki Dam power generation, and DABS's financial ability to sustain the two diesel generators in Kandahar after DOD subsidies end.

transmission line from the substation to Musa Qalah, build a new 110kV substation, and rehabilitate the existing 20kV substation at Musa Qalah. The project aims to benefit the approximately 60,000 residents of Musa Qalah, according to DOD.⁷²²

Other components of the project are designed to help integrate SEPS projects into a single, interconnected system. DABS will assume responsibility for O&M. Increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainability, according to DOD.⁷²³ As noted above, SIGAR audits have raised concerns about DABS's capacity and resources to undertake O&M.

PRIVATE-SECTOR DEVELOPMENT

Despite the uncertainty surrounding Afghanistan's security and political transitions in 2014, private-sector investment has not ceased and according to USAID, the government has the political will to continue promoting private-sector development.⁷²⁴ The United States is supporting private-sector development through the ESF, TFBSO, and CERP.

From FY 2002 to FY 2012, USAID appropriated \$1.06 billion for economic growth in Afghanistan.⁷²⁵ One of USAID's major ongoing economic-growth projects, funded through the ESF, is Assistance in Building Afghanistan by Developing Enterprises (ABADE).

Assistance in Building Afghanistan by Developing Enterprises

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Assistance in Building Afghanistan by Developing Enterprises	10/16/2012	10/16/2016	\$104,997,656	\$20,479,012

Source: USAID, response to SIGAR data call, 7/10/2014.

USAID's ABADE program focuses on helping productive, Afghan-registered, small-to-medium enterprises add jobs, increase investment, and improve sales of domestic products and services through public-private alliances (PPAs). It does so through three components: implementing approved public-private alliances; identifying, selecting, and supporting the alliances; and working with the Afghan government to improve the environment for business.⁷²⁶

USAID reported that ABADE has struggled to reach its target number of PPAs; only 13 of 90 targeted PPAs were finalized in the program's first year. After meeting in April 2014, USAID and ABADE set a new short-term target: 100 PPAs to be in place by July 1. As of July 1, 2014, a total of 101 PPAs were submitted to USAID, of which 51 were approved with an additional 50 awaiting USAID action. USAID is reevaluating the overall program targets

given its start-up challenges, including hiring staff, setting up offices, advertising, and lengthy partner-vetting processes.⁷²⁷

TRANSPORTATION

Afghanistan’s lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said restoring the transportation sector is imperative for economic development.⁷²⁸ Afghanistan’s infrastructure shortcomings particularly constrain the service and agriculture sectors, currently the leading contributors to GDP.⁷²⁹ They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining aid.⁷³⁰ This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, sustaining operations and maintenance, and complying with international standards.⁷³¹

Roads

While the United States has provided \$2.2 billion cumulatively for road construction and O&M and currently spends about \$5 million annually for O&M efforts, the World Bank said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles.⁷³² Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to the U.S. Department of Transportation (DOT).⁷³³ Moreover, the lack of a functioning roads authority has significantly affected road infrastructure across Afghanistan.⁷³⁴ Although the Cabinet and the President gave approval in August 2013 for the Ministry of Public Works (MOPW) to create a roads authority and road fund, the authority has not yet been established.⁷³⁵

Road Sector Sustainability

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Road Sector Sustainability	8/1/2014	8/1/2019	\$111,000,000	\$0

Source: USAID, response to SIGAR data call, 7/14/2014.

USAID’s Road Sector Sustainability (RSS) project has four main activities:⁷³⁶

- Activity 1: Emergency O&M (\$5 million). Contracts are now expected to be awarded in August instead of April 2014 due to delays in the procurement process.⁷³⁷
- Activity 2: Technical Assistance to the MOPW for the creation of a Road Authority and Road Fund (\$25 million phase I; \$10 million phase II). A contract is now expected to be awarded in August instead of April 2014.⁷³⁸

SIGAR SPECIAL PROJECT

This quarter, SIGAR’s Office of Special Projects wrote to USAID and DOD about over a billion dollars they have invested in road projects. SIGAR said it was concerned that roads, built at great risk and expense by the United States and other donors, are not and will not be properly maintained and that roads are still being built in Afghanistan despite the apparent shortage of effective maintenance plans or capacity. For more information, see Section 2, pages 46 and 48.

- Activity 3: Capacity Building for the MOPW (\$38 million). The Statement of Work is being developed based on a needs assessment that is under way. A contract is expected to be awarded in mid-2015.⁷³⁹
- Activity 4: Road O&M Activity. (\$33 million) USAID funding, proposed for January 2015, will go through the AITF once the ADB develops an operations-and-maintenance incentive window.⁷⁴⁰

Gardez-Khowst Highway Rehabilitation Phase IV

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Gardez-Khowst Road	7/10/2014	12/30/2015	\$32,760,000	\$0

Source: USAID, response to SIGAR vetting 7/14/2014.

Phase IV rehabilitation of the 63-mile Gardez-Khowst highway will construct the remaining 15.5 miles, including two major bridges and several retaining walls, culverts, and drainage systems. This all-weather, asphalt-paved highway gives Khowst and Paktiya Provinces access to major trading routes to Pakistan, to Kabul, and to the Ring Road connecting Kabul, Kandahar, and Herat.⁷⁴¹

EDUCATION

The United States aims to improve Afghan access to quality education by promoting capacity building, responding to urgent needs for learning materials, schools, and teacher development, as well as increasing opportunities in adult literacy, employment skills, and youth development.⁷⁴²

SIGAR is concerned about the accuracy of the data provided on Afghanistan's educational system. According to the most recent data available from the Ministry of Education's (MOE) Education Management Information System (EMIS), Afghanistan had a total of 14,166 primary, lower-secondary, and upper-secondary schools in FY 1391 (March 21, 2012–December 20, 2012).⁷⁴³

This quarter, USAID provided two inconsistent sets of MOE data for the number of students enrolled in 1391. Data generated from EMIS shows approximately 7.62 million students were **enrolled** in primary, lower-secondary, and upper-secondary schools in FY 1391. Of the enrolled students, 6.26 million were categorized as **present**, while 1.36 million students were considered **absent**.⁷⁴⁴ Another unspecified MOE source showed higher enrollment numbers—7.78 million students (an additional 160,000 students over EMIS data) enrolled in primary, lower-secondary, and upper-secondary schools in FY 1391, with 6.86 million students present and approximately 922,000 students absent.⁷⁴⁵ USAID also provided a third MOE source containing Afghanistan's total enrollment in general education for FY 1392—8.2 million students enrolled. This number was not broken down

SIGAR AUDIT

An ongoing SIGAR audit is examining the U.S. government's efforts to assist and improve the education sector in Afghanistan.

Enrolled: total number of new students enrolled in an academic year

Present: total number of students attending in an academic year

Absent: number of students who have temporarily dropped out, but still included in enrollment figures

into the numbers of students present and absent.⁷⁴⁶ The number of days of attendance required for a student to be counted as “present” for the entire year was not known as this report went to press.

According to USAID, the MOE includes absent students in the enrollment total until three years have elapsed, because absent students are considered to have the potential to return to school. However, a MOE Education Joint Sector Review from September 2013 recommended the MOE revise its regulations and no longer consider permanently absent students to be counted as enrolled.⁷⁴⁷

In order to assess student learning achievement, this quarter USAID continued to design an early-grade program with assessments of student performance in reading and math. USAID is also contributing to the multi-donor supported Education for Quality Improvement Program II, through which the MOE is implementing a national teacher-credentialing system to set minimum performance standards for teachers. No data on student reading and math proficiency or teacher proficiency currently exists.⁷⁴⁸

USAID's ongoing priority education programs funded through the ESF this quarter include:

- Basic Education, Literacy, and Technical-Vocational Education and Training (BELT)
- American University of Afghanistan (AUAF)
- Afghanistan University Support and Workforce Development Program (USWFD)

Basic Education, Literacy, and Technical-Vocational Education and Training

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Basic Education, Literacy, and Technical-Vocational Education-Textbooks	11/16/2011	12/31/2014	\$26,996,813	\$21,955,403
Teacher Training	3/4/2012	11/6/2014	62,000,000	62,000,000
BELT-Community Based Education	10/29/2013	10/28/2017	56,000,000	0

Sources: USAID, response to SIGAR data call, 7/10/2014; USAID, response to SIGAR vetting 4/14/2014.

BELT aims to improve access to basic education in communities typically beyond the government's reach. BELT has four components: capacity-building for the MOE, teacher training, procurement of textbooks for grades 1–6, and community-based education.⁷⁴⁹

BELT Community-Based Education (CBE) provides accelerated and remedial education, allowing students to attend schools in remote locations.⁷⁵⁰ This quarter, USAID and the MOE agreed on a rationale for

SIGAR'S CONCERNS

The number of students attending school in Afghanistan is often cited as evidence of Afghanistan's progress in education. For example, in a *Washington Post* op-ed published on May 30, 2014, Dr. Rajiv Shah, the Administrator of USAID wrote, “Education is another bright spot [in Afghanistan.] Three million girls and 5 million boys are enrolled in school.”

However, the reliability of EMIS—the only database at the MOE tracking education metrics—cannot be confirmed. Data is not available on time, and indicators such as net enrollment ratios, repetition rate, and dropout rate are unavailable. Insecurity limits visits to schools. In the most recent EMIS Statistical Analytical Report from FY 1390, the MOE admitted that only 1,000 schools (7% of all general education schools) were visited for data verification in FY 1390. Additionally, schools may be tempted to inflate their attendance figures because access to funding (such as EQUIP II School Grants) can be linked to enrollment levels.

This quarter, SIGAR learned that USAID's definitions of enrollment used in EMIS last quarter were double-counting the number of students enrolled in Afghanistan. The previous definition of total enrollment added three figures: enrolled, present, and absent students. However, as USAID clarified this quarter, the number of enrolled students is actually the sum of present and absent students. Thus, the total enrollment figures reported last quarter counted each student twice.

Sources: *Washington Post*, “Rajiv Shah: How to Keep Afghanistan on the Right Track,” 5/30/2014; MOE, Education Joint Sector Review 2012, 9/2013; USAID, response to SIGAR data call, 3/31/2014 and 6/30/2014; MOE, 1390 EMIS Statistical Analytical Report, 2012; World Bank, *Project Paper for a Proposed Grant in the amount of SDR 18.9 million to the Islamic Republic of Afghanistan for the Second Education Quality Improvement Project*, 1/4/2008; USAID, response to SIGAR vetting, 4/12/2014 and 7/9/2014.



Global Partnership for Education. Mosque Based Education Center, Pashtha Ghla village, Shahrak district, Ghor Province, January 2014. (UNICEF photo)

provincial allocations of CBE classes, allowing the MOE to begin finalizing the CBE annual work plan. The MOE also started delivering textbooks to provinces in the central region of Afghanistan.⁷⁵¹ However, textbook delivery does not necessarily lead to learning. Field-visit reports in 2012 indicated textbooks are sometimes stocked in district offices and not distributed to schools due to lack of funds.⁷⁵² Next quarter's nationwide textbook distribution will be audited.⁷⁵³

BELT also continues to face delayed payments from USAID for textbooks due to improper deduction of taxes on U.S. assistance by the MOF. This quarter, the MOF Budget Committee officially ruled that taxes withheld on textbook contract payments would be returned to the BELT special account; returned funds are still pending. USAID also faces challenges with the MOE's ability to implement on-budget activities in a timely fashion.⁷⁵⁴

American University of Afghanistan

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
American University of Afghanistan PDI	8/1/2013	7/31/2018	\$40,000,000	\$6,447,328

Source: USAID, response to SIGAR data call, 7/10/2014.

USAID's second, five-year cooperative agreement continues support for the American University of Afghanistan's English-language undergraduate and continuing-education programs. The agreement aims to strengthen academic- and professional-development programs, expand programs for women, and increase financial self-sufficiency.⁷⁵⁵

Afghanistan University Support and Workforce Development Program

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Afghanistan University Support and Workforce Development	1/1/2014	12/31/2018	\$91,927,769	\$2,330,336

Source: USAID, response to SIGAR data call, 7/10/2014.

The Afghanistan University Support and Workforce Development program (USWFD) aims to improve the management capacity of the Ministry of Higher Education and 10 public universities by training officials, funding scholarships, and facilitating partnerships between U.S. and host country universities.⁷⁵⁶

USAID said that USWFD faces implementation challenges such as a lack of leadership skills among senior faculty, outdated curriculums, and inadequate facilities. Additionally, the Universities Financial Autonomy Law,

which would allow universities to assess student and business fees for services, is still stalled in the lower house of parliament.⁷⁵⁷ Insecurity and the elections have hindered recruitment, and inadequate staffing resources may be a problem as implementation moves forward.⁷⁵⁸ A performance evaluation is planned for the second year of the project.⁷⁵⁹

Other Active USAID Education Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements as of 6/30/2014
Global Partnership for Education	10/11/2012	3/31/2015	\$2,500,000	\$495,655
Afghanistan Reads	6/1/2013	5/31/2014	380,000	380,000
Afghanistan Technical Vocational Institute	6/15/2013	6/14/2015	1,000,000	475,000
Strengthening Education in Afghanistan (SEA)	8/8/2010	6/30/2014	10,225,847	10,205,932
Strengthening Education in Afghanistan (SEA II)	5/19/2014	5/18/2019	29,835,920	3,265
Afghan Tuition Scholarship Program	8/21/2011	7/31/2017	7,384,665	5,770,465

Source: USAID, response to SIGAR data call, 7/10/2014.

HEALTH

U.S. assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities at central and subnational levels, particularly in provinces to the south and east, where services are largely lacking.⁷⁶⁰

The Agency Coordinating Body for Afghan Relief & Development—an advocacy organization comprising 128 national and international NGOs working in Afghanistan—recently issued a report on how the security transition in 2014 has burdened health-care delivery. While civilian and military casualties rise, Afghan troops are increasingly depending on ground evacuation for their injured and often must make use of civilian instead of military health services. Additionally, the United Nations Mission in Afghanistan documented 32 attacks against health-care facilities and personnel in 2013, compared to 20 attacks in 2012. The majority of incidents involved threats, intimidation, and harassment, followed by abductions and targeted killings of medical personnel.⁷⁶¹

USAID Mortality Survey Findings

One oft-cited indicator of USAID success comes from the USAID-funded Afghanistan Mortality Survey in 2010, which found that life expectancy in Afghanistan has increased by as much as 20 years to an average of 62–64 years since 2002.⁷⁶² However, other institutions suggest that gains are more modest, with models indicating only an increase of two or three years in life

SIGAR'S CONCERNS

USAID's Afghanistan Mortality Survey (AMS) results are frequently used as evidence that U.S. intervention efforts have contributed to remarkable improvements in Afghanistan's health system. In a *Washington Post* op-ed published on May 30, 2014, Dr. Rajiv Shah, the Administrator of USAID, cited Afghanistan's "largest increase in life expectancy" to highlight Afghanistan's progress in health.

However, there is an enormous gap between USAID estimates and the estimates of other institutions. Table 3.26 on the following page compares AMS results to life-expectancy models of other institutions. Most institutions estimate a two- to five-year increase in life expectancy over six years, while the mortality survey finds a 20-year increase for the same time period.

Reasons why USAID's estimates differ from those of other institutions could include factors such as AMS inability to survey completely in insecure southern provinces, and Afghan cultural reluctance to speak about female and infant mortality with strangers.

Sources: *Washington Post*, "Rajiv Shah: How to keep Afghanistan on the right track," 5/30/2014; USAID, *Afghanistan Mortality Survey 2010*, 11/2011.

TABLE 3.26

USAID LIFE EXPECTANCY FINDINGS COMPARED TO OTHER LIFE EXPECTANCY MODELS (YEARS)						
	USAID (Afghanistan Mortality Survey)	CIA World Factbook	World Bank (World Development Indicators)	UN Population Division (World Population Prospects)	U.S. Census Bureau (International Database)	World Health Organization (Global Health Observatory)
Estimated Life Expectancy Increase from 2004–2010 (6 years)	20	2.2	3.0	2.6	2	5
Estimated Life Expectancy Increase from 1990–2010 (20 years)	--	Data not available	11.0	12.0	7	11
Estimated Life Expectancy in 2010	62	44.7	59.6	58.4	49	60
Estimated Life Expectancy in 2004	42	42.5	56.6	55.8	47	55
Estimated Life Expectancy in 1990	--	Data not available	48.6	46.4	42	49

Notes: Numbers have been rounded. Data as of 6/17/2014. WHO calculations based on data available from the years 1990, 2000, and 2012.

Sources: CIA, "World Factbook: Afghanistan," accessed 6/17/2014; World Bank, World Development Indicators, accessed 6/17/2014; UN Population Division, World Population Prospects, accessed 6/17/2014; U.S. Census Bureau, International Data Base, accessed 6/17/2014; World Health Organization, Global Health Observatory, accessed 6/17/2014; USAID, "Health Programs, Health Snapshot," accessed 7/6/2013; USAID, *Afghanistan Mortality Survey 2010, Key Findings*, 12/2011.

expectancy from 2004 to 2010. Institutions that also find Afghan life expectancy may have increased to 60 years in 2010, but all calculate from higher base life expectancies. For example, the World Bank, which calculates life expectancy in 2010 at 59.6, starts from a base of 56.6 in 2004—a three-year gain. Moreover, in 1990, the World Bank determined life expectancy at 48.6 years, showing that they measure life expectancy in Afghanistan growing five to six years every decade, regardless of U.S. intervention efforts.⁷⁶³

USAID Funding

From FY 2002 through FY 2013, U.S. on- and off-budget assistance to Afghanistan's health sector totaled \$1.2 billion.⁷⁶⁴ From FY 2014 through FY 2018, USAID assistance will total \$477 million.⁷⁶⁵ On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, supplies and equipment, in-service training, minor renovations of facilities, and monitoring and supervision. Off-budget assistance includes activities to strengthen health systems, engage the private sector, and procure pharmaceuticals and contraceptives.⁷⁶⁶

USAID Oversight

USAID funds a team within MOPH's Grants and Contracts Management Unit (GCMU), which is responsible for monitoring USAID-funded facilities through regular site visits and monthly reports from implementing NGOs. Both NGOs and GCMU staff conduct routine monitoring of health facilities and document the number of patients who have received key services, and the type and quality of health services provided.⁷⁶⁷

USAID also relies on the MOPH's Health Management Information System (HMIS) for Afghan health data. The USAID Leadership, Management, and Governance (LMG) project is assisting the MOPH to improve data quality and reporting. LMG supported the development of data quality assessment (DQA) tools, which compare monthly reported data with registers of the health facilities of the same month, measure health workers' knowledge of HMIS definitions, and evaluate data utilization. The DQA was conducted in 416 randomly selected health facilities from July to December 2013, and its results were shared with NGOs. The DQA assessment will be conducted on a routine basis.⁷⁶⁸ For more information about the LMG program, see page 187.

Polio

Afghanistan is one of three countries—along with Pakistan and Nigeria—where polio is still endemic.⁷⁶⁹ As of July 2, 2014, seven polio cases have been confirmed in Afghanistan in 2014, down from 14 cases in 2013, 37 in 2012, and 80 in 2011.⁷⁷⁰ USAID said polio immunization rates have remained low as a result of increasing insecurity.⁷⁷¹ This quarter, the MOPH launched the second round of its annual spring anti-polio vaccination campaign in the southern, southeastern, and eastern regions, excluding Helmand Province, which has been inaccessible since February 2014.⁷⁷² Approximately 8.9 million children ages five years or younger were targeted for vaccination, while about 8 million children between the ages of six months and five years were to receive vitamin A tablets to strengthen their immune systems.⁷⁷³

USAID Health Programs

USAID's highest-priority programs in the health sector this quarter include:⁷⁷⁴

- Partnership Contracts for Health (PCH) Services
- Health Policy Project (HPP)
- Leadership, Management, Governance Project (LMG)

Partnership Contracts for Health Services

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Partnership Contracts for Health Services	7/20/2008	1/31/2015	\$236,455,840	\$178,784,131

Source: USAID, response to SIGAR data call, 7/10/2014.

The host-country contract PCH program supports the MOPH's efforts to provide the Basic Package of Health Services (BPHS) in 13 provinces and the Essential Package of Hospital Services (EPHS) in five provinces.⁷⁷⁵ PCH supports health care at over 6,000 health posts and more than 540 facilities, including hospitals and health centers. It also supports tertiary health-care services at five provincial hospitals and one national hospital. In addition,

SIGAR INVESTIGATION

In an ongoing investigation of MOPH's Grants and Contracts Management Unit, which provides oversight and guidance to NGOs that operate health facilities, SIGAR is reviewing NGO invoices, funding for closed health facilities, solicitation of bribes, and falsified timesheets.

On July 7, 2014, the Afghan Taliban reportedly announced a ban on polio vaccinations in Helmand Province. The Pakistani Taliban has banned polio vaccinations since 2012.

Source: The Wall Street Journal, "Afghan Taliban Bans Polio Vaccination in Southern Province," 7/7/2014.



An Afghan child receives medication through a donor-sponsored health program. (UNAMA photo by Fardin Waezi)

PCH supports the Community Midwifery Education program, which aims to reduce maternal and child mortality.⁷⁷⁶

This quarter, USAID reported election-related security issues closed health facilities and threatened workers in insecure areas. Furthermore, the lengthy procurement process of host-country contracts delayed implementation of PCH activities, and the quality of NGO-provided health services delivering BPHS needed improvement.⁷⁷⁷

PCH reports semiannually to USAID.⁷⁷⁸ Yet SIGAR's September 2013 audit of the MOPH found that USAID provides advance, incremental funding to cover operational expenses every 45 days. These and other MOPH internal-control deficiencies put U.S. funds provided under the PCH program at risk of waste.⁷⁷⁹

To mitigate these risks, USAID reported this quarter that PCH is now implemented by the off-budget Grants and Contracts Management Unit (GCMU) of the MOPH. The GCMU submits requests for advance funds and for permission to liquidate those funds. USAID monitors this process and has set up a dedicated, noncomingled account at the central bank, to which it has access. PCH is also audited by independent auditors. Ernst & Young conducted an assessment of MOPH, which is in process of implementing their recommendations. USAID reviewed the MOPH's progress toward addressing the recommendations, and is planning a second review after Ramadan.⁷⁸⁰

Health Policy Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Health Policy Project	4/2012	1/2015	\$28,000,000	\$18,418,498

Source: USAID, response to SIGAR data call, 7/22/2014.

The Health Policy Project (HPP) builds the MOPH's capacity through design, negotiation, and management of hospital public-private partnerships. The project also aims to strengthen financing and management of health resources, support gender roles in health-sector activities, and build the capacity of local private organizations to partner with the Afghan government in changing behaviors for the benefit of individuals or society.⁷⁸¹

This quarter, USAID said election-related insecurity delayed arrival of international technical assistance, and closed the HPP office for a few days. HPP is also awaiting MOPH approval of procurement documents for hospital public-private partnerships and vetting approval for local subcontractors to obtain materials to promote maternal and child health commodities.⁷⁸²

Despite these challenges, this quarter HPP supported the MOPH's Health Economics and Financing Directorate (HEFD) to launch the Expenditure Management Information System, which supports regular reporting of national health expenditures. Following the launch, HPP supported the

HEFD to train more than 51 NGOs on the system. HPP also conducted training sessions for hospital staff on minimum required standards, for health workers on gender-based violence, and for MOPH Provincial staff on behavior change/interpersonal communication training.⁷⁸³

Leadership, Management, and Governance Project

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2014
Leadership, Management, and Governance/Field Support	9/1/2012	10/31/2014	\$32,000,000	\$22,826,010

Source: USAID, response to SIGAR data call, 7/10/2014; USAID response to SIGAR vetting, 7/11/2014.

The LMG project works with the MOPH and the MOE at the central and provisional levels to build governance capacity, improve accountability, and help manage on-budget assistance within Afghanistan's health and education systems.⁷⁸⁴

This quarter, USAID said LMG conducted several workshops regarding data utilization and evidence-based decision-making at central, provincial, and facility levels. LMG continued to train health-care staff in basic care, data quality, and hospital management. Seven regional training-of-trainer courses were conducted, with USAID stating that Community Health Worker (CHW) trainers and Community-Based Health Care Officers would cascade their training to CHWs across the country. LMG also launched the Health Quality Improvement Program in select provinces.⁷⁸⁵

USAID also noted several challenges from working with the MOPH this quarter, including a high degree of bureaucracy, busy leadership schedules, and ad hoc requests that delay implementation of approved work plans.⁷⁸⁶

Other Active USAID Health Programs

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2014
Strengthening Pharmaceutical System	8/28/2011	8/27/2015	\$24,499,936	\$14,365,800
Polio Eradication Activities	9/30/1996	9/30/2022	10,750,000	9,415,102
TB = Field Support	9/29/2010	9/28/2015	4,600,000	1,252,370
University Research = Field Support	9/30/2009	9/29/2014	13,950,000	12,950,000

Source: USAID, response to SIGAR data call, 7/10/2014.

4 OTHER AGENCY OVERSIGHT



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SIGAR staff board a helicopter after a meeting with Helmand's provincial governor in Lashkar Gah. (U.S. Marine Corps photo)

OTHER AGENCY OVERSIGHT

SIGAR's enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs, and to submit a report to Congress on SIGAR's oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section contains these updates.

The descriptions appear as submitted, with minor changes to maintain consistency with other sections of this report: acronyms and abbreviations in place of full names; standardized capitalization, hyphenation, punctuation, and preferred spellings; and third-person instead of first-person construction.

These agencies perform oversight activities in Afghanistan and provide results to SIGAR:

- Department of Defense Office of Inspector General (DOD OIG)
- Department of State Office of Inspector General (State OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

OTHER AGENCY OVERSIGHT

COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the eight oversight projects related to reconstruction that participating agencies reported as completed this quarter.

TABLE 4.1

RECENTLY COMPLETED OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2014			
Agency	Report Number	Date Issued	Project Title
DOD OIG	DODIG-2014-072	5/19/2014	U.S. Military and Coalition Efforts to Develop Effective and Sustainable Healthcare in Support of the Afghan National Police
GAO	GAO-14-528C	6/13/2014	Afghanistan Transition: Observations on U.S. Forces Afghanistan's Efforts to Reduce Contractor Support
GAO	GAO-14-680T	6/10/2014	Afghanistan: Oversight and Accountability of U.S. Assistance
GAO	GAO-14-475C	5/16/2014	Afghanistan Transition: U.S. Force Reductions Impact DOD's Advising Mission in Afghanistan
GAO	GAO-14-191SU	4/4/2014	Afghanistan Equipment Drawdown: Progress Made, but Improved Controls in Decision Making Could Reduce Risk of Unnecessary Expenditures
GAO	GAO-14-438R	4/1/2014	Afghanistan: Changes to Updated U.S. Civil-Military Strategic Framework Reflect Evolving U.S. Role
USAID OIG	F-306-14-002-S	6/19/2014	Review of Sustainability of Operations at Afghanistan's Tarakhil Power Plant
USAID OIG	F-306-14-003-P	6/10/2014	Audit of USAID/Afghanistan's Afghan Civilian Assistance Program

Sources: DOD OIG, response to SIGAR data call, 6/19/2014; State OIG, response to SIGAR data call, 6/23/2014; GAO, response to SIGAR data call, 6/19/2014; USAAA, response to SIGAR data call 6/17/2014; USAID OIG, response to SIGAR data call, 6/16/2014.

U.S. Department of Defense Office of Inspector General

During this quarter, DOD OIG issued one report related to Afghanistan reconstruction.

U.S. Military and Coalition Efforts to Develop Effective and Sustainable Healthcare in Support of the Afghan National Police

(Report No. DODIG-2014-072, Issued May 19, 2014)

DOD OIG found that the Afghan Air Force is developing casualty-evacuation capabilities utilizing fixed- and rotary-wing aircraft, C-208 and Mi-17s respectively. The Afghan Air Force made significant progress in conducting casualty evacuation this past year, with an increased number of casualty evacuations and improved response times. DOD OIG found examples of improved cooperation among Government of the Islamic Republic of Afghanistan (GIROA) organizations which have had a positive effect on the development of the Afghan National Security Forces (ANSF) health-care system and direct medical support to the Afghan National Police (ANP).

Despite progress identified, DOD IG found challenges remain. DOD IG found that U.S. and Coalition plans and advisory efforts were not consistently focused on developing the ANP medical capability to provide effective point-of-injury and en route care for combat casualties. Additionally, medical advisory resources were not sufficient or, in some cases, not skilled and trained to aid in developing ANP medical capability.

Further, the ANP did not have sufficient medics or the necessary medical equipment and supplies to properly care for injured police personnel. Additional development assistance was needed by the ANP Office of the Surgeon General to provide effective oversight and management of medical activities within the Ministry of Interior (MOI). Priority focus on the shortages of medical personnel at the ANP hospital was needed to support the increasing number of ANP casualties and to ensure there were sufficient pharmacists to provide effective pharmacy operations. Additionally, DOD OIG found that the ANP medical-logistics system was marginally effective and required significant improvement to ensure that medical supplies, including pharmaceuticals, were available as needed for patient care.

U.S. Department of State Office of Inspector General–Middle East Regions Operations

During this quarter, State OIG did not issue any reports related to Afghanistan reconstruction.

Government Accountability Office

During this quarter, GAO issued five reports related to Afghanistan reconstruction.

Afghanistan Transition: Observations on U.S. Forces Afghanistan's Efforts to Reduce Contractor Support

(Report No. GAO-14-528C, Issued June 13, 2014)

DOD has spent billions of dollars on contract support in Afghanistan and continues to employ many contractors to support its troops in Afghanistan. As DOD begins its drawdown of forces, which is to be completed by December 2014, it must also begin to draw down contractors. Key questions addressed in this report include: (1) the extent to which DOD is applying lessons learned from Iraq as it draws down contractors and its equipment in Afghanistan; (2) the processes established by DOD and U.S. Forces-Afghanistan (USFOR-A) to draw down its contractor workforce and associated equipment; (3) how DOD is considering cost for operational contract support drawdown decisions; and (4) what approach USFOR-A has taken to plan for the use of contractors post-2014.

Afghanistan: Oversight and Accountability of U.S. Assistance

(Report No. GAO-14-680T, Issued June 10, 2014)

Since 2003, GAO and others have identified numerous challenges related to U.S. efforts in Afghanistan, including: the dangerous security environment, the prevalence of corruption, and the limited capacity of the Afghan government to deliver services and sustain donor-funded projects. Between fiscal years 2002 and 2013, U.S. agencies allocated nearly \$100 billion toward U.S. efforts in Afghanistan. To assist Congress in its oversight, GAO has issued

over 70 products since 2003 related to U.S. efforts in Afghanistan. This testimony summarizes the key findings from those products and discusses: (1) the challenges associated with operating in Afghanistan, (2) key oversight and accountability issues regarding U.S. efforts in Afghanistan, and (3) the need for contingency planning as the U.S. transitions to a civilian-led presence in Afghanistan. While GAO did not make new recommendations, it has made numerous recommendations in prior reports aimed at improving U.S. agencies' oversight and accountability of U.S. funds in Afghanistan. U.S. agencies have generally concurred with these recommendations and have taken or plan to take steps to address them.

Afghanistan Transition: U.S. Force Reductions Impact DOD's Advising Mission in Afghanistan

(Report No. GAO-14-475C, Issued May 16, 2014)

As part of the U.S. plan to end the combat mission in Afghanistan by December 2014, DOD is reducing U.S. force levels to 34,000 troops by February 2014. Beyond 2014, remaining U.S. forces will advise Afghan forces, conduct counterterrorism activities, and support other U.S. agencies. Key questions addressed in this report include: (1) to what extent has DOD identified the composition and missions of U.S. forces as it makes force reductions over the next year; (2) to what extent has DOD identified the support and security requirements for the remaining U.S. forces that will be engaged in the advising and additional missions as reductions occur; and (3) what challenges, if any, does DOD face in providing support and security for the advising and other missions, and to what extent has it taken steps to mitigate any challenges?

Afghanistan Equipment Drawdown: Progress Made, but Improved Controls in Decision Making Could Reduce Risk of Unnecessary Expenditures

(Report No. GAO-14-191SU, Issued April 4, 2014)

DOD has stated that it will cost at least \$5.7 billion to draw down an estimated 90,000 containers of material and 50,000 vehicles from Afghanistan. Given the large number of bases and difficult conditions in Afghanistan, an efficient and cost-effective drawdown will likely depend on DOD's knowing how much equipment it has in Afghanistan and making cost-effective decisions about its disposition. Key questions addressed in this report include: (1) to what extent has DOD implemented base-closure procedures, including the accountability of equipment, to meet command-established objectives and timelines; (2) to what extent are command-established objectives and timelines for the Afghanistan equipment drawdown supported by DOD facilities and processes; and (3) to what extent is DOD using cost and other information to help ensure it is making cost-effective disposition decisions?

Afghanistan: Changes to Updated U.S. Civil-Military Strategic Framework Reflect Evolving U.S. Role

(Report No. GAO-14-438E, Issued April 1, 2014)

This report compares the August 2013 version of the Framework with the October 2012 version, summarizing the differences between them. Although the October 2012 and the August 2013 versions of the U.S. Civil-Military Strategic Framework for Afghanistan have similarities, the two versions differ in several aspects. These differences reflect, among other things, the U.S. government's heightened emphasis on the transition through the end of 2014 of security responsibility for Afghanistan to Afghan security institutions and the Afghan National Security Forces, as well as the transition in U.S. policy toward a more traditional diplomatic and development model. Both versions of the Framework address four categories of U.S. efforts in support of U.S. national goals in Afghanistan, with security, the first category, as the foundation for the other three categories, or "pillars"—governance, rule of law, and socioeconomic development. Both versions also address the same crosscutting issues. Differences between the two versions include the following:

- In the August 2013 version, the Framework's function and statement of U.S. national goals have been modified to reflect changes in U.S. civilian and military efforts during and after the transition.
- The August 2013 version contains new information about the U.S.-Afghan partnership during the transition.
- The August 2013 version includes new, transition-focused subsections for each of the three strategic pillars—governance, rule of law, and socioeconomic development—assessing the impact of reduced U.S. resources and presence on U.S. objectives and priorities.
- The August 2013 version provides fewer details about the future U.S. government footprint in Afghanistan, reflecting uncertainty affecting the U.S. post-2014 strategy.
- The August 2013 version replaces a section about measuring progress with a new section about civil-military cooperation.
- The August 2013 Framework excludes a list of strategic risks and of factors that could mitigate those risks.

U.S. Army Audit Agency

The USAAA did not complete any audits related to Afghanistan reconstruction this quarter.

U.S. Agency for International Development Office of Inspector General

During this quarter, USAID OIG completed two reports related to Afghanistan reconstruction.

OTHER AGENCY OVERSIGHT

Review of Sustainability Operations at Afghanistan's Tarakhil Power Plant

(Report No. F-306-14-002-S, Issued June 19, 2014)

Review Objective:

- Was Da Afghanistan Breshna Sherkat (DABS) operating and maintaining the power plant in a sustainable manner to protect USAID's investment in the facility?

Audit of USAID/Afghanistan's Afghan Civilian Assistance Program

(Report No. F-306-14-003-P, Issued June 10, 2014)

Audit Objective:

- Has USAID/Afghanistan assistance to Afghan civilian war victims reached its intended beneficiaries and had the intended impact?

ONGOING OVERSIGHT ACTIVITIES

As of June 30, 2014, the participating agencies reported 24 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

TABLE 4.2

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2014			
Agency	Project Number	Date Initiated	Project Title
DOD OIG	D2014-D000RE-0141.000	4/7/2014	Summary Report on Military Construction Projects in Afghanistan and Iraq
DOD OIG	D2014-D00SPO-0129.000	3/6/2014	Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment of the Afghan National Police
DOD OIG	D2014-D000AS-0111.000	2/12/2014	Continuation of Audit of Mi-17 Cockpit Modifications Under Task Order W58RGZ-09-D-0130-0102
DOD OIG	D2014-D000FS-0088.000	12/24/2013	Government of Islamic Republic of Afghanistan's Internal Controls Related to Direct Assistance Funding Provided by the DOD
DOD OIG	D2013-D00SPO-0181.000	6/13/2013	Assessment of U.S. Government Efforts to Transition Security Cooperation and Assistance Activities Supporting the Government of the Islamic Republic of Afghanistan from Department of Defense Authority to Department of State Authority
DOD OIG	D2013-D000AS-0097.000	2/8/2013	Mi-17 Cockpit Modifications Under Task Order W58RGZ-09-D-0130-0102
DOS OIG	14AUD034	2/11/2014	Audit of Department of State Selection, Positioning, Training, and Oversight Responsibilities of Grants Officer Representatives
DOS OIG	14AUD018	1/27/2014	Audit of the Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 10 - Kabul Embassy Security Force
DOS OIG	14AUD014	1/17/2014	Audit of Contract Closeout Process for Contracts in Afghanistan
DOS OIG	13AUD082	6/20/2013	Audit of Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Assistance to Afghanistan
DOS OIG	13AUD52	2/15/2013	Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Orders 2, 9, and 11 for Movement and Static Security Services in Jerusalem and Afghanistan
GAO	321031	7/24/2014	Securing Soft Targets Overseas

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OTHER AGENCY OVERSIGHT

TABLE 4.2 (CONTINUED)

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2014			
Agency	Project Number	Date Initiated	Project Title
GAO	351951	6/17/2014	Assessment of Army and Marines' Extended Equipment Reset Liability Costs and Requirements
GAO	351917	4/11/2014	Systems Used to Track Contractors in Contingency Operations
GAO	100012	3/10/2014	American Contractor Preference
GAO	100003	2/4/2014	Mitigating Threats to Locally Employed Staff
GAO	320997	10/22/2013	U.S. Civilian Presence in Afghanistan
GAO	320990	7/24/2013	Construction Efforts at the U.S. Embassy in Kabul
GAO	320985	6/26/2013	Use of Foreign Labor Contractors Abroad
GAO	320978	5/29/2013	State Department's Management of Grants and Cooperative Agreements
GAO	351819	5/9/2013	Costs of DOD's Transition to the Afghan Public Protection Force
GAO	351805	3/1/2013	DOD Container Management
USAID OIG	FF100414	3/10/2014	Review of USAID/Afghanistan's Financial Management Controls for Government to Government Assistance
USAID OIG	FF101712	10/25/2011	Follow-up on a DOD Audit of CERP Funds Provided to USAID/Afghanistan

Sources: DOD OIG, response to SIGAR data call, 6/19/2014; State OIG, response to SIGAR data call, 6/23/2014; GAO, response to SIGAR data call, 6/19/2014; USAAA, response to SIGAR data call 6/17/2014; USAID OIG, response to SIGAR data call, 6/16/2014.

Department of Defense Office of Inspector General

The Department of Defense continues to face many challenges in executing its Overseas Contingency Operations (OCO). DOD OIG has identified priorities based on those challenges and high-risks. In fiscal year (FY) 2014, DOD OIG oversight focuses on overseas contingency operations with a majority of the agency's resources supporting operations in Afghanistan. The DOD OIG focus in Afghanistan primarily continued in the areas of the management and execution of the Afghanistan Security Forces Fund, military construction, safety of personnel, and the administration and oversight of contracts supporting Coalition forces. In addition, DOD OIG oversight in Afghanistan includes focus on matters pertaining to the drawdown of forces in Afghanistan and transition of operations.

A top priority continues to be the monitoring and oversight of acquisition and contracting processes focused on training, equipping, and sustaining Afghanistan National Security Forces (ANSF). The DOD OIG planned oversight efforts address the administration and oversight of contracts for equipping ANSF, such as rotary-wing aircraft. DOD OIG will also continue to review and assess the Department's efforts to train and equip the ANSF.

The DOD OIG-led Southwest Asia Joint Planning Group assists in the coordination and deconfliction of federal and DOD overseas contingency operations-related oversight activities. DOD OIG continues to execute its portion of the FY 2014 Comprehensive Oversight Plan for Southwest Asia.

DOD OIG's ongoing Operation Enduring Freedom (OEF)-related oversight addresses accountability of property; improper payments; contract administration and management including construction projects; transition planning;

logistical distribution within Afghanistan; retrograde operations, health care; and acquisition planning and controls over funding for the ANSF.

Summary Report on Military Construction Projects in Afghanistan and Iraq

(Project No. D000RE-041.000, Initiated April 7, 2014)

DOD OIG is summarizing systematic problems specific to military construction projects in Afghanistan and Iraq identified in audit reports issued by the DOD Office of Inspector General, Army Audit Agency, and Air Force Audit Agency.

Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment of the Afghan National Police

(Project No. D2014-D00SPO-0129.000, Initiated March 6, 2014)

DOD OIG is assessing the planning and execution of ANP logistics, supply, and maintenance systems developed and implemented by U.S. and Coalition forces in Afghanistan. Specifically, DOD OIG plans to evaluate:

- whether U.S. and Coalition goals, objectives, plans, guidance, and resources are sufficient to effectively develop, manage, and transition logistics, supply, and maintenance systems to the ANP in 2014
- U.S. and Coalition plans to transition ANP logistics and maintenance processes to Afghan lead and to mitigate the impact of delays in supply transition
- whether U.S. and Coalition plans and resources will effectively support ANP logistics, supply, and maintenance systems sustainment and continued development beyond 2014

Continuation of Audit of Mi-17 Cockpit Modifications Under Task Order W58RGZ-09-D-0130-0102

(Project No. D2014-D000AS-0111.000, Initiated February 12, 2014)

This is a continuation of Project No. D2013-D000AS-0097.000, “Follow-on Audit of Mi-17 Cockpit Modifications Under Task Order W58RGZ-09-D-0130-0102,” which began in February 2013. The DOD OIG is determining whether DOD officials properly awarded and administered indefinite-delivery, indefinite-quantity contract W58RGZ-09-D-0130, Task Order 0102, in accordance with federal and DOD regulations and policies. The contract was for the modification of DOD-owned Mi-17 variant aircraft. The prior project (D2013-D000AS-0097.000) primarily addressed the contract administration of Mi-17 cockpit modifications under Task Order 0102. This project will primarily address the award of Task Order 0102.

Government of Islamic Republic of Afghanistan's Internal Controls Related to Direct Assistance Funding Provided by the DOD

(Project No. D2014-D000FS-0088.000, Initiated December 24, 2013)

The DOD OIG is determining whether the GIROA's Ministries of Defense and Interior have controls in place to ensure a transparent and accountable fiscal process for the direct funding provided for the sustainment of the Afghan National Security Forces. The Combined Security Transition Command-Afghanistan (CSTC-A) requested this audit.

Assessment of U.S. Government Efforts to Transition Security Cooperation and Assistance Activities Supporting the Government of the Islamic Republic of Afghanistan from Department of Defense Authority to Department of State Authority

(Project No. 2013-D00SPO-0181.000, Initiated June 13, 2013)

DOD OIG is assessing plans and activities that have been accomplished or implemented thus far to transfer the security cooperation and assistance activities in Afghanistan from DOD to State Department authority, and to make recommendations to facilitate or improve the transition of these functions to the State Department in accordance with existing security-cooperation guidance and security-assistance regulations that may pertain. Specific objectives are to determine whether:

- U.S. government goals, objectives, plans, and guidance are sufficient, issued and operative for the transition of CSTC-A security assistance activities in Afghanistan from DOD authority to a security cooperation organization under Department of State authority
- ongoing efforts by U.S. forces to provide security assistance to GIROA are adversely impacted by the implementation of drawdown plans for U.S. Forces-Afghanistan (USFOR-A) and the transition of International Security Assistance Force (ISAF) and ISAF Joint Command (IJC) to a command organization under NATO authority

Mi-17 Cockpit Modifications under Task Order W58RGZ-09D-0130-0102

(Project No. D2013-D000AS-0097.000, Initiated February 8, 2013)

DOD OIG is conducting a follow-on audit to the Audit of Task Orders for Mi-17 Overhauls and Cockpit Modifications (Project No. D2012-D000AS-0075.000). In this follow-on audit, DOD OIG is determining whether DOD officials properly awarded and administered indefinite-delivery, indefinite-quantity contract W58RGZ-09-D-0130, Task Order 0102, for the modification of DOD-owned Mi-17 variant aircraft in accordance with federal and DOD regulations and policies. Under the prior project, DOD OIG reviewed the procurement of overhaul services and parts for

Pakistan-owned Mi-17 variant aircraft, awarded by modification to Task Order 0102.

Department of State Office of Inspector General–Middle East Regions Operations

State OIG has five ongoing projects this quarter related to Afghanistan reconstruction.

Audit of Department of State Selection, Positioning, Training, and Oversight Responsibilities of Grants Officer Representatives

(Project No. 14AUD034, Initiated February 11, 2014)

Objective: To determine the extent to which the Department's grant officer representatives (GORs) are selected, positioned, and trained to successfully perform their assigned grants-administration and oversight responsibilities.

Audit of the Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 10 - Kabul Embassy Security Force

(Project No. 14AUD018, Initiated January 27, 2014)

Objective: Determine whether the Department of State's administration and oversight of the Worldwide Protective Services (WPS) task order for the Kabul Embassy Security Force has been effective.

Audit of Contract Closeout Process for Contracts in Afghanistan

(Project No. 14AUD014, Initiated January 17, 2014)

Objective: To determine whether the Department of State was following prescribed procedures when closing out local and regional contracts in Afghanistan.

Audit of Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Assistance to Afghanistan

(Project No. 13AUD082, Initiated June 20, 2013)

The audit objective is to evaluate the management and oversight of the Bureau of International Narcotics and Law Enforcement Affairs (INL) counternarcotics program for Afghanistan, including whether INL has achieved intended and sustainable outcomes and whether INL has applied adequate internal controls over the administration of direct assistance for the Afghanistan counternarcotics program.

Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Orders 2, 9, and 11 for Movement and Static Security Services in Jerusalem and Afghanistan

(Project No. 13AUD52, Initiated February 15, 2013)

The overall audit objective is to determine the effectiveness of the Department's management and oversight of the WPS Contract Task Orders 2, 9, and 11. Specifically, the audit team will determine whether the contractor is performing in accordance with contract terms and conditions, the contractor's work is adequately monitored, and invoice-review and approval procedures are in place to ensure accuracy and completeness of costs.

Government Accountability Office

GAO has 11 ongoing projects this quarter related to Afghanistan reconstruction.

Securing Soft Targets Overseas

(Project No. 321031, Initiated July 24, 2014)

U.S. personnel posted in diplomatic facilities overseas continue to face threats to their safety and security, including numerous attacks in high-risk locations in recent years. In particular, residences, recreational facilities, and schools used by these personnel and their families may be attractive "soft targets." (1) How does State manage threats and risks to residences and other soft targets under chief-of-mission authority overseas? (2) To what extent do State's security standards for residences and other soft targets address the threats and risks faced by such facilities? (3) To what extent do State's policies and procedures address security vulnerabilities, if any, at residences and other soft targets?

Assessment of Army and Marine's Extended Equipment Reset Liability Costs and Requirements

(Project No. 351951, Initiated June 17, 2014)

As equipment is returned from Afghanistan, the U.S. Army and Marine Corps are facing a multiyear and multibillion dollar effort to return this equipment to combat-ready condition, known as "reset." Congressional defense committees are concerned about how much this will cost—the reset liability—and asked GAO to investigate and report. Objectives: (1) The extent to which the Army and Marine Corps are using a consistent definition of reset in estimating their reset liabilities. (2) The types and costs included in the Army and Marine Corps reset liability estimates. (3) An analysis of any assumptions used in developing the Army and Marine Corps estimates, to include the planned sources of funding. (4) Any other issues GAO determines appropriate.

Systems Used to Track Contractors in Contingency Operations

(Project No. 351917, Initiated April 11, 2014)

In fiscal year 2013, Congress mandated DOD, State Department, and U.S. Agency for International Development to issue guidance about data collection on contract support for future contingencies involving combat operations outside of the U.S. Key questions: (1) What systems, if any, do the agencies use to manage contractors and the resources needed to sustain each system; (2) To what extent are systems interoperable, use compatible data standards, and meet legislative requirements; (3) To what extent do the systems provide personnel in contingency areas the necessary data to manage contractors; (4) What steps, if any, are the agencies taking to ensure that these systems maximize their ability to manage contractors?

American Contractor Preference

(Project No. 100012, Initiated March 10, 2014)

In fiscal year 2014, Congress directed GAO to assess the potential benefits or problems of expanding an existing statutory preference for American contractors for certain overseas U.S. military construction projects to the U.S. Central Command area of responsibility. Key questions: (1) What benefits or problems did DOD encounter or overcome in establishing a preference for American contractors in military construction projects in locations where the department implemented such a preference? (2) What are the potential benefits of expanding the geographical area to countries in the U.S. Central Command area of responsibility for American contractor preference in military constructions programs? (3) What are the potential problems of expanding the geographical area to countries in the U.S. Central Command area of responsibility for American contractor preference in military constructions programs?

Mitigating Threats to Locally Employed Staff

(Project No. 100003, Initiated February 4, 2014)

U.S. agencies employ more than 44,000 locally employed staff (LES)—Foreign Service nationals and U.S. citizens—at over 270 posts worldwide. LES are a key element of the U.S. presence at these posts, often performing a range of programmatic, security, monitoring, maintenance, and other duties. However, due to their association with the United States, LES can be subject to harassment, intimidation, and death threats. Threats to LES are particularly acute at posts in countries with active terrorist networks and violent extremist groups, such as Afghanistan, Iraq, Pakistan, and Yemen. Such threats can potentially hamper U.S. efforts to recruit and retain LES. GAO was asked to review U.S. government efforts to monitor, share information about, and mitigate threats to LES serving at high-threat posts. Key questions: (1) What is the nature and extent of the threat that terrorist networks and other violent extremist groups pose to LES, including the

number of threats and attacks? (2) To what extent have U.S. agencies established mechanisms to collect and disseminate information about threats to LES in an effective and timely manner? (3) What steps, if any, have U.S. agencies taken to mitigate threats to LES at high-threat posts and what barriers, if any, exist to mitigating such threats? (4) How have these threats and attacks affected the recruitment and retention of LES at high-threat posts?

U.S. Civilian Presence in Afghanistan

(Project No. 320997, Initiated October 22, 2013)

U.S. civilian agencies in Afghanistan are in the process of planning for the transition by the end of 2014 from a predominantly military presence in Afghanistan to a civilian presence led by the Department of State. GAO will review: (1) How U.S. civilian agencies have planned for the transition, including post-transition programs and the staffing, security, and logistics needed to support them; (2) the estimated costs to maintain a civilian presence in Afghanistan after the transition; and (3) the factors that could affect these plans and any associated cost estimates.

Construction Efforts at the U.S. Embassy in Kabul

(Project No. 320990, Initiated July 24, 2013)

Since 2009 the State Department has awarded two contracts totaling about \$700 million to construct additional housing and office facilities at the U.S. Embassy in Kabul, Afghanistan. State has since terminated the first contract and expanded the scope, value, and timing of the second. Key questions: (1) What progress has State made in constructing new U.S. embassy facilities in Kabul since 2009, and what factors have contributed to any scope, cost, or schedule changes? (2) To what extent does the present expansion match projected needs?

Use of Foreign Labor Contractors Abroad

(Project No. 320985, Initiated June 26, 2013)

The United States relies on contractors to provide diverse services overseas. Despite prohibiting the use of trafficked labor for all U.S. government contracts, concerns remain about the protections afforded to foreign workers recruited by U.S. contractors because prevailing practices in some host countries diverge from U.S. standards. Key questions: (1) What are the practices of U.S. government contractors in recruiting foreign workers for work outside the United States? (2) What legal and other authorities do U.S. agencies identify as providing protection to foreign workers employed by U.S. government contractors outside the United States? (3) To what extent do federal agencies provide oversight and enforcement of such authorities?

State Department's Management of Grants and Cooperative Agreements

(Project No. 320978, Initiated May 29, 2013)

Grants and cooperative agreements are key tools the Department of State uses to advance foreign policy. In FY12, State awarded approximately \$1.6 billion worldwide in grants and cooperative agreements to nongovernmental organizations and other implementing partners. Key questions: (1) What policies and procedures does State have in place to administer and oversee grant and cooperative agreement awards; and (2) To what extent do State's internal controls provide reasonable assurance that these funds are being used as intended in select countries?

Costs of DOD's Transition to the Afghan Public Protection Force

(Project No. 351819, Initiated May 9, 2013)

The Afghan Public Protection Force (APPF) began assuming security responsibilities in March 2012. Private security contractors (PSCs), used to secure military bases, were to have been replaced by either the APPF or military personnel by March 2013. Key questions: To what extent has: (1) DOD implemented the transition of security services from private security contractors to the APPF; (2) DOD developed cost estimates related to the transition to the APPF and what actions are being taken to minimize these costs; and (3) DOD assessed the current and potential security risks to U.S. personnel and logistics as a result of the transition to the APPF and taken measures to minimize these risks?

DOD Container Management

(Project No. 351805, Initiated March 1, 2013)

Shipping-container management has been a longstanding challenge for DOD. GAO estimates that DOD will pay over \$1 billion in detention fees from 2003 through 2013 for using commercial shipping containers beyond the time frame allotted in its contract with commercial shippers during operations in Iraq and Afghanistan. Key questions: (1) To what extent has DOD implemented corrective actions to address container management challenges affecting shipping containers used in the Afghan theater? (2) To what extent has DOD assessed the effect of its corrective actions on the accumulation of detention fees?

U.S. Army Audit Agency

This quarter, the USAAA has no ongoing audits related to reconstruction initiatives.

U.S. Agency for International Development Office of Inspector General

This quarter, USAID OIG has two ongoing audits related to reconstruction initiatives.

Review of USAID/Afghanistan's Financial Management Controls for Government to Government Assistance

(Project No. FF100414, Initiated March 10, 2014)

Review Objective:

- Are financial management controls associated with USAID/Afghanistan's government-to-government assistance designed and operating effectively?

Follow-up on a DOD Audit of CERP Funds Provided to USAID/Afghanistan

(Project No. FF101712, Initiated October 25, 2011)

Objective:

- To determine whether the CERP funds provided by DOD to USAID/Afghanistan were used for intended purposes, and in compliance with applicable laws and regulations.

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The Official Seal of SIGAR

The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal's center is in Dari and means "SIGAR." The phrase along the bottom side of the seal's center is in Pashtu and has the same meaning.

APPENDICES AND ENDNOTES



APPENDICES

APPENDIX A

CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS

This appendix cross-references the pages of this report to the quarterly reporting and related requirements under SIGAR's enabling legislation, the National Defense Authorization Act for Fiscal Year 2008, Pub. L. 110-181, § 1229 (Table A.1).

TABLE A.1

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Purpose			
Section 1229(a)(3)	To provide for an independent and objective means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress on corrective action.	Ongoing; quarterly report	Full report
Supervision			
Section 1229(e)(1)	The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense	Report to the Secretary of State and the Secretary of Defense	Full report
Duties			
Section 1229(f)(1)	OVERSIGHT OF AFGHANISTAN RECONSTRUCTION – It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out utilizing such funds, including subsections (A) through (G) below.	Review appropriated/ available funds Review programs, operations, contracts using appropriated/ available funds	Full report
Section 1229(f)(1)(A)	The oversight and accounting of the obligation and expenditure of such funds	Review obligations and expenditures of appropriated/ available funds	SIGAR Oversight Funding
Section 1229(f)(1)(B)	The monitoring and review of reconstruction activities funded by such funds	Review reconstruction activities funded by appropriations and donations	SIGAR Oversight
Section 1229(f)(1)(C)	The monitoring and review of contracts funded by such funds	Review contracts using appropriated and available funds	Note 1
Section 1229(f)(1)(D)	The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities	Review internal and external transfers of appropriated/ available funds	Appendix B
Section 1229(f)(1)(E)	The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]	Maintain audit records	SIGAR Oversight Appendix C Appendix D
Section 1229(f)(1)(F)	The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy	Monitoring and review as described	Audits

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(f)(1)(G)	The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.	Conduct and reporting of investigations as described	Investigations
Section 1229(f)(2)	OTHER DUTIES RELATED TO OVERSIGHT – The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)	Establish, maintain, and oversee systems, procedures, and controls	Full report
Section 1229(f)(3)	DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 – In addition, . . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978	Duties as specified in Inspector General Act	Full report
Section 1229(f)(4)	COORDINATION OF EFFORTS – The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development	Coordination with the inspectors general of DoD, DoS, and USAID	Other Agency Oversight
Federal Support and Other Resources			
Section 1229(h)(5)(A)	ASSISTANCE FROM FEDERAL AGENCIES – Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee	Expect support as requested	Full report
Section 1229(h)(5)(B)	REPORTING OF REFUSED ASSISTANCE – Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.	None reported	N/A
Reports			
Section 1229(i)(1)	QUARTERLY REPORTS – Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –	Report – 30 days after the end of each calendar quarter Summarize activities of the Inspector General Detailed statement of all obligations, expenditures, and revenues	Full report Appendix B

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(i)(1)(A)	Obligations and expenditures of appropriated/donated funds	Obligations and expenditures of appropriated/donated funds	Appendix B
Section 1229(i)(1)(B)	A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program	Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program	Funding Note 1
Section 1229(i)(1)(C)	Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of donor funds	Funding
Section 1229(i)(1)(D)	Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of funds from seized or frozen assets	Funding
Section 1229(i)(1)(E)	Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan	Operating expenses of agencies or any organization receiving appropriated funds	Funding Appendix B
Section 1229(i)(1)(F)	In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* – (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition	Describe contract details	Note 1
Section 1229(i)(3)	PUBLIC AVAILABILITY – The Inspector General shall publish on a publicly available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan	Publish report as directed at www.sigar.mil Dari and Pashtu translation in process	Full report
Section 1229(i)(4)	FORM – Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary	Publish report as directed	Full report

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(j)(1)	Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense.	Submit quarterly report	Full report

Note 1: Although this data is normally made available on SIGAR's website (www.sigar.mil), the data SIGAR has received is in relatively raw form and is currently being reviewed, analyzed, and organized for all future SIGAR purposes.

* Covered "contracts, grants, agreements, and funding mechanisms" are defined in paragraph (2) of Section 1229(i) of Pub. L. No. 110-181 as being—

"any major contract, grant, agreement, or other funding mechanism that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan with any public or private sector entity for any of the following purposes:
To build or rebuild physical infrastructure of Afghanistan.
To establish or reestablish a political or societal institution of Afghanistan.
To provide products or services to the people of Afghanistan."

APPENDICES

APPENDIX B

U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION (\$ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of June 30, 2014. Table B.2 lists fund appropriated for counternarcotics initiatives since 2002.

TABLE B.2

COUNTERNARCOTICS, CUMULATIVE AMOUNT APPROPRIATED, SINCE 2002 (\$ MILLIONS)	
ASFF	\$1,312
DOD CN	2,930
ESF	1,415
INCLE	1,764
DEA	201
Total	\$7,623

Table B.2 Notes: Numbers have been rounded. Counternarcotics funds cross-cut both the Security and Governance & Development spending categories; these funds are also captured in those categories in Table B.1. Figures represent cumulative amounts appropriated for counternarcotics initiatives in Afghanistan since 2002. Initiatives include eradication, interdiction, support to Afghanistan's Special Mission Wing, counternarcotics-related capacity building, and alternative agricultural development efforts. ASFF, ESF, and INCLE figures show the cumulative amounts appropriated for counternarcotics initiatives from those funds.

Table B.2 Sources: SIGAR analysis of counternarcotics funding. State, INL, response to SIGAR data call, 7/16/2014; DOD, response to SIGAR data call, 7/3/2014; USAID, response to SIGAR data call, 7/10/2014; DOD, "Justification for FY 2014 Overseas Contingency Operations Afghanistan Security Forces Fund (ASFF)," 5/2013, pp. 11-12, 20, 37, 86-87.

Table B.1 Notes: Numbers have been rounded. Updated data for State and USAID Civilian Operations accounts resulted in a higher appropriation figure for FY 2014 than reported last quarter. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD reprogrammed \$178 million from FY 2013 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID. Drug Enforcement Administration (DEA) funding amounts provided by the Congressional Research Service. The DEA receives funding through direct appropriations to fund salaries and expenses in Afghanistan.

Table B.1 Sources: DOD, responses to SIGAR data call, 7/18/2014, 7/17/2014, 7/8/2014, 7/3/2014, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 7/16/2014, 7/3/2014, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/10/2014; OMB, responses to SIGAR data call, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, responses to SIGAR data call, 7/10/2014, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; CRS, response to SIGAR data call, 1/8/2014; DFAS, response to SIGAR data call, 7/17/2014; PL. 113-76, 1/17/2014; PL. 113-6, 3/26/2013; PL. 112-74, 12/23/2011; PL. 112-10, 4/15/2011; PL. 111-212, 10/29/2010; PL. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement; DEA, response to SIGAR vetting, 7/22/2014.

TABLE B.1

U.S. FUNDING SOURCES	AGENCY	TOTAL	FY 2002
SECURITY			
Afghanistan Security Forces Fund (ASFF)	DOD	57,325.44	0.00
Train & Equip (DOD)	DOD	440.00	0.00
Foreign Military Financing (FMF)	State	1,059.14	57.26
International Military Education and Training (IMET)	State	14.82	0.18
Drug Interdiction & Counter-Drug Activities (DOD CN)	DOD	2,930.44	0.00
Total - Security		61,769.85	57.44
GOVERNANCE & DEVELOPMENT			
Commander's Emergency Response Program (CERP)	DOD	3,669.00	0.00
Afghanistan Infrastructure Fund (AIF)	DOD	1,223.00	0.00
Task Force for Business and Stability Operations (TFBSO)	DOD	809.53	0.00
Economic Support Fund (ESF)	USAID	17,533.05	117.72
Development Assistance (DA)	USAID	885.55	18.30
Afghanistan Freedom Support Act (AFSA)	DOD	550.00	0.00
Child Survival & Health (CSH + GHAI)	USAID	554.57	7.52
Commodity Credit Corp (CCC)	USAID	31.65	7.48
USAID (Other)	USAID	54.13	0.00
Non-Proliferation, Antiterrorism, Demining & Related (NADR)	State	649.49	44.00
Provincial Reconstruction Team Advisors	USDA	5.70	0.00
Treasury Technical Assistance	Treasury	4.45	0.90
International Narcotics Control & Law Enforcement (INCLE)	State	4,414.48	60.00
Drug Enforcement Administration (DEA)	DOJ	200.97	0.58
Total - Governance & Development		30,585.58	256.50
HUMANITARIAN			
P.L. 480 Title I	USDA	5.00	0.00
P.L. 480 Title II	USAID	949.89	159.50
Disaster Assistance (IDA)	USAID	545.15	197.09
Transition Initiatives (TI)	USAID	37.74	8.07
Migration & Refugee Assistance (MRA)	State	925.22	135.47
Voluntary Peacekeeping (PKO)	State	69.33	23.93
Emergency Refugee & Migration Assistance (ERMA)	State	25.20	25.00
Food for Progress	USDA	109.49	0.00
416(b) Food Aid	USDA	95.18	46.46
Food for Education	USDA	50.49	0.00
Emerson Trust	USDA	22.40	0.00
Total - Humanitarian		2,835.09	595.52
CIVILIAN OPERATIONS			
Oversight		293.95	0.00
Operations		8,620.35	155.60
Total - Civilian Operations		8,914.30	155.60
Total - Funding		104,104.82	1,065.06

APPENDICES

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
	0.00	0.00	995.00	1,908.13	7,406.40	2,750.00	5,606.94	9,166.77	10,619.28	9,200.00	4,946.20	4,726.72
	0.00	150.00	290.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	191.00	414.08	396.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.39	0.67	0.95	0.98	1.19	1.66	1.40	1.76	1.56	1.18	1.42	1.50
	0.00	71.80	224.54	108.05	290.97	192.81	230.06	392.27	379.83	422.96	296.37	320.79
	191.39	636.55	1,907.28	2,017.17	7,698.57	2,944.47	5,838.40	9,560.80	11,000.67	9,624.14	5,243.99	5,049.01
	0.00	40.00	136.00	215.00	209.00	488.33	550.67	1,000.00	400.00	400.00	200.00	30.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	299.00	400.00	325.00	199.00
	0.00	0.00	0.00	0.00	0.00	0.00	14.44	59.26	239.24	241.82	137.83	116.94
	223.79	906.97	1,283.00	473.39	1,224.75	1,399.51	2,077.50	3,346.00	2,168.51	1,836.76	1,623.15	852.00
	42.54	153.14	169.21	185.08	166.81	149.43	0.40	0.30	0.00	0.35	0.00	0.00
	300.00	150.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	49.68	33.40	38.00	41.45	100.77	63.06	58.23	92.30	69.91	0.00	0.25	0.00
	1.33	0.00	0.00	0.00	0.00	10.77	4.22	4.22	3.09	0.55	0.00	0.00
	0.50	5.00	0.00	0.00	0.00	20.00	2.81	4.90	6.26	9.22	3.93	1.52
	34.70	66.90	40.65	35.72	36.72	29.72	59.92	70.74	69.30	65.32	52.60	43.20
	0.00	0.00	0.00	0.00	0.00	0.00	5.70	0.00	0.00	0.00	0.00	0.00
	1.00	0.06	0.95	0.19	0.13	0.75	0.47	0.00	0.00	0.00	0.00	0.00
	0.00	220.00	709.28	232.65	251.74	302.17	472.09	589.00	400.00	358.75	593.80	225.00
	2.87	3.72	16.77	23.66	20.38	40.59	18.80	19.20	18.70	18.70	17.00	0.00
	656.41	1,579.19	2,493.85	1,207.14	2,010.30	2,504.33	3,265.26	5,185.92	3,674.00	3,331.47	2,953.56	1,467.66
	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	46.10	49.20	56.60	60.00	60.00	177.00	65.41	58.13	112.55	59.20	46.20	0.00
	85.53	11.39	4.23	0.04	0.03	16.90	27.13	29.73	66.39	56.51	22.54	27.65
	11.69	11.22	1.60	0.00	0.00	0.00	0.75	0.87	1.10	0.64	0.42	1.37
	61.50	63.30	47.10	41.80	53.80	44.25	76.79	80.93	64.65	99.56	76.07	80.00
	9.90	20.00	15.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.00
	4.96	9.08	30.10	23.24	9.47	20.55	12.09	0.00	0.00	0.00	0.00	0.00
	14.14	34.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	9.27	6.12	10.02	25.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	22.40	0.00	0.00	0.00	0.00	0.00	0.00
	248.08	204.89	165.15	150.16	123.30	281.10	182.37	169.66	244.69	215.91	145.24	109.03
	0.00	0.00	0.00	0.00	2.50	14.30	25.20	34.40	37.20	59.00	58.70	62.65
	35.30	212.44	136.29	131.90	207.80	434.96	1,060.70	1,761.70	905.10	1,428.36	1,288.90	861.30
	35.30	212.44	136.29	131.90	210.30	449.26	1,085.90	1,796.10	942.30	1,487.36	1,347.60	923.95
	1,131.18	2,633.07	4,702.57	3,506.37	10,042.47	6,179.16	10,371.92	16,712.47	15,861.65	14,658.87	9,690.39	7,549.64

APPENDICES

APPENDIX C

SIGAR WRITTEN PRODUCTS

SIGAR AUDITS

Audit Alert Letters

NEW SIGAR AUDIT ALERT LETTERS ISSUED AS OF JULY 30, 2014

Report Identifier	Report Title	Date Issued
SIGAR Audit Alert Letter 14-80-AL	Afghan Air Force C-130 Aircraft	7/2014

Completed Performance Audits

SIGAR completed three performance audits during this reporting period.

COMPLETED SIGAR PERFORMANCE AUDITS AS OF JULY 30, 2014

Report Identifier	Report Title	Date Issued
SIGAR Audit 14-85-AR	Afghan Mobile Strike Vehicles: Contractor Met Requirements, but Long-Term Operation and Maintenance remain a Concern	7/2014
SIGAR Audit 14-84-AR	Afghan National Security Forces: Actions Needed to Improve Weapons Accountability	7/2014
SIGAR Audit 14-83-AR	Department of State: Nearly 75% of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented	7/2014

New Performance Audits

SIGAR initiated one performance audit during this reporting period.

NEW SIGAR PERFORMANCE AUDITS AS OF JULY 30, 2014

Audit Identifier	Project Title	Date Initiated
SIGAR 098A	DOD's Afghan Local Police Program	7/2014

Ongoing Performance Audits

SIGAR had 14 audits in progress during this reporting period.

ONGOING SIGAR PERFORMANCE AUDITS AS OF JULY 30, 2014

Audit Identifier	Project Title	Date Initiated
SIGAR 097A	U.S. Efforts to Develop Afghanistan's Extractives Industry	2/2014
SIGAR 096A	U.S. Efforts to Assist Afghan Refugees and Internally Displaced Persons	2/2014
SIGAR 095A	U.S. Efforts to Develop Afghanistan's Rule of Law	2/2014
SIGAR 094A	Status of SIGAR's Recommendations to the Department of Defense	2/2014
SIGAR 092A	Status of SIGAR's Recommendations to USAID	2/2014

Continued on the next page

APPENDICES

ONGOING SIGAR PERFORMANCE AUDITS AS OF JULY 30, 2014 (CONTINUED)

Audit Identifier	Project Title	Date Initiated
SIGAR 091A	U.S. Government Efforts to Develop and Strengthen the Capacity of the Counternarcotics Police of Afghanistan's (CNPA) Provincial Units	12/2013
SIGAR 090A	Audit of ANA National Engineer Brigade's Engineering Equipment	11/2013
SIGAR 089A	Audit of U.S. Support for Development of the Afghan Air Force	11/2013
SIGAR 088A	U.S. Government Efforts to Assist in Reconstruction and Commercialization of Afghanistan's Information and Communication Technology Sector	11/2013
SIGAR 087A	Women's Initiatives	8/2013
SIGAR 086A	Education Sector	8/2013
SIGAR 082B	Agency Safeguards for Direct Assistance	3/2013
SIGAR 080A	U.S. Government Reconstruction Transition Plan	3/2013
SIGAR 079B	Reliability of Afghan National Security Forces Data	2/2013

Completed Financial Audits

SIGAR completed three financial audits during this reporting period.

COMPLETED SIGAR FINANCIAL AUDITS AS OF JULY 30, 2014

Report Identifier	Report Title	Date Issued
SIGAR Financial Audit 14-76-FA	USAID's Afghanistan Rule of Law Stabilization Program-Formal Component: Audit of Costs Incurred by Tetra Tech DPK	7/2014
SIGAR Financial Audit 14-75-FA	USAID's Accelerated Sustainable Agriculture Program and Afghanistan Stabilization Initiative: Audit of Costs Incurred by Chemonics International Inc.	7/2014
SIGAR Financial Audit 14-74-FA	USAID's Afghanistan Small- and Medium-Sized Enterprise Development Program and Afghanistan Stabilization Initiative Program: Audit of Costs Incurred by Development Alternatives Inc.	7/2014

Ongoing Financial Audits

SIGAR had 40 financial audits in progress during this reporting period.

ONGOING SIGAR FINANCIAL AUDITS AS OF JULY 30, 2014

Audit Identifier	Project Title	Date Initiated
F-065	DOD Contract with New Century Consulting Limited for technical support to Afghanistan Source Operation Management (ASOM)	4/2014
F-064	DOD Contract with Raytheon Technical Services Company LLC for ANA depot support	4/2014
F-063	DOD Contract with DRS Technical Services Inc. for ANA Communications equipment service mentoring, systems engineering, technical assistance, training, and maintenance	4/2014
F-062	DOD Contract with Engility Corporation (L-3 MPRI) for support services to the MOI and ANP	4/2014
F-061	DOD Contract with Dyncorp International LLC for mentoring and training services in support of the ANSF	4/2014

Continued on the next page

APPENDICES

ONGOING SIGAR FINANCIAL AUDITS AS OF JULY 30, 2014 (CONTINUED)		
Audit Identifier	Project Title	Date Initiated
F-060	State contract with PAE Government Services Incorporated for technical support to the Justice Sector Support Program (JSSP)	3/2014
F-059	State Grants with Global Rights for increasing access to justice for family law clients and strengthening the capacity of civil society/ young lawyers to protect human rights in Afghanistan	3/2014
F-058	State Grants with Women for Afghan Women for technical support for the promotion and protection of Afghan women's rights	3/2014
F-057	State Grants with Clear Path International (CPI) for technical support to the Integrated Victim Assistance and Capacity Building Program	3/2014
F-056	State Grants with Organization for Mine Clearance and Afghan Rehabilitation (OMAR) for mine and unexploded ordnance clearance	3/2014
F-055	USAID Task Order with Management Systems International Inc. (MSI) for technical support to the Measuring Impact of Stabilization Initiative (MISTI)	3/2014
F-054	USAID Cooperative Agreement with University of Massachusetts for technical support to the Higher Education Project (HEP) in Afghanistan	3/2014
F-053	USAID Cooperative Agreement with Consortium For Elections and Political Process (CEPPS) for support to subnational government institutions in Regional Command-East and Regional Command-South	3/2014
F-052	USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIKA)-West	3/2014
F-051	USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIKA)-East	3/2014
F-050	USAID Contract with Tetra Tech for technical support to the Rule of Law Stabilization-Formal Component	3/2014
F-049	USAID Contract with International Relief and Development Inc. (IRD) for Engineering, Quality Assurance and Logistical Support (EQUALS)	3/2014
F-048	USAID Cooperative Agreement with Wildlife Conservation Society (WCS) for technical support to the Improving Livelihoods and Governance through Natural Resource Management Project (ILG-NRMP)	3/2014
F-047	USAID Cooperative Agreement with Democracy International for technical support for Electoral Reform and Civic Advocacy (AERCA)	3/2014
F-046	USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIKA)-South	3/2014
F-045	USAID Cooperative Agreement with Consortium For Elections and Political Process (CEPPS) to support increased electoral participation in Afghanistan	3/2014
F-044	USAID Cooperative Agreement with Internews Network for support to the Afghan Media Development and Empowerment Project (AMDEP)	3/2014
F-043	USAID Contract with Tetra Tech to support Land Reform in Afghanistan	3/2014

Continued on the next page

APPENDICES

ONGOING SIGAR FINANCIAL AUDITS AS OF JULY 30, 2014 (CONTINUED)		
Audit Identifier	Project Title	Date Initiated
F-042	USAID Cooperative Agreement with International Relief and Development Inc. for technical support to the Afghanistan Civilian Assistance Program (ACAP II)	3/2014
F-041	USAID Cooperative Agreement with International Relief and Development Inc. for technical support to the Southern Regional Agriculture Development Program (SRADP)	3/2014
F-040	DOD Contract with A-T Solutions for support to Freedom of Maneuver program	12/2013
F-039	DOD Contract with Jorge Scientific Corp. for support to Legacy East program	12/2013
F-038	DOD Contract with CACI Technologies Inc. for technical engineering, logistical engineering and fielding efforts	12/2013
F-037	USAID Task Order with Tetra Tech ARD for technical support to the Rule of Law Stabilization Program-Formal	9/2013
F-036	State Grant with Sayed Majidi Architecture and Design (SMAD) for project management services for architectural and engineering design of the new national museum in Kabul	9/2013
F-035	State Cooperative Agreement and Grant with CETENA Group for support to the Afghan TV Content Production Manager project and the Nationwide Adult Literacy project	9/2013
F-034	State Grants with the Mine Clearance Planning Agency to provide support for the removal of land mines and unexploded ordnance	9/2013
F-033	State Task Order with PAE for technical support to the Civilian Police Program	9/2013
F-032	USAID Task Order with IRG (now part of Engility) for technical support to the Afghan Clean Energy Program (ACEP)	9/2013
F-031	USAID Cooperative Agreement with ICMA for technical support to the Afghanistan Municipal Strengthening Program (AMSP)	9/2013
F-029	USAID Cooperative Agreement with CARE International for technical support to the Partnership for Advancing Community-based Education in Afghanistan (PACE-A)	9/2013
F-028	USAID Task Order with AECOM for technical support to the Afghanistan Social Outreach Program (ASOP)	9/2013
F-027	USAID Cooperative Agreement with PACT to strengthen the independent media sector in Afghanistan	9/2013
F-026	USAID Task Order with ARD (now part of Tetra Tech) to provide technical support to the Sustainable Water Supply and Sanitation (SWSS) project	9/2013
F-025	USAID Cooperative Agreement with IRD to implement the Afghanistan Vouchers for Increased Production in Agriculture (AVIPA) program	9/2013

APPENDICES

SIGAR INSPECTIONS

Completed Inspections

SIGAR completed three inspections during this reporting period.

COMPLETED SIGAR INSPECTIONS AS OF JULY 30, 2014

Report Identifier	Report Title	Date Issued
SIGAR Inspection 14-82-IP	Gereshk Cold and Dry Storage Facility: Quality of Construction Appears to Be Good, but the Facility Has Not Been Used to Date	7/2014
SIGAR Inspection 14-81-IP	Shindand Airbase: Use of Open-Air Burn Pit Violated Department of Defense Requirement	7/2014
SIGAR Inspection 14-62-IP	Baghlan Prison: Severe Damage to \$11.3 Million Facility Requires Extensive Remedial Action	5/2014

SIGAR SPECIAL PROJECTS

Completed Special Projects

SIGAR completed six Special Project products this reporting period. SIGAR considers a Special Project complete when the agency does not anticipate doing any additional work on the specific issue.

COMPLETED SIGAR SPECIAL PROJECTS AS OF JULY 30, 2014

Report Identifier	Report Title	Date Issued
Special Project 14-77-SP	Inquiry Letter: Safety of Spray Foam Insulation in ANA Facilities	7/2014
Special Project 14-73-SP	Inquiry Letter: Cancelled USAID Contracts	7/2014
Special Project 14-69-SP	Inquiry Letter: USDA Response to Soybean Inquiry	6/2014
Special Project 14-61-SP	Inquiry Letter: ANP Mobile Money Pilot Program Response	5/2014
Special Project 14-56-SP	Alert Letter: Alerting USAID on IRD's Confidentiality Agreement	5/2014
Special Project 14-55-SP	Inquiry Letter: International Relief and Development's Confidentiality Agreement	5/2014

Ongoing Special Projects

SIGAR issued 13 Special Project inquiry letters this reporting period that related to ongoing Special Projects. A project is considered ongoing when the Office of Special Projects does not consider an inquiry complete because SIGAR is waiting for responses to requested information, or is in the process of analyzing information already received.

COMPLETED SIGAR SPECIAL PROJECTS AS OF JULY 30, 2014

Report Identifier	Report Title	Date Issued
Special Project 14-78-SP	Inquiry Letter: Contractor Recruitment of Third-Country Nationals for Afghan Work	7/2014

Continued on the next page

APPENDICES

COMPLETED SIGAR SPECIAL PROJECTS AS OF JULY 30, 2014 (CONTINUED)

Report Identifier	Report Title	Date Issued
Special Project 14-72-SP	Inquiry Letter: Maintenance of DOD-Funded Roads	6/2014
Special Project 14-71-SP	Inquiry Letter: Request for Reconstruction Program Data Information	6/2014
Special Project 14-70-SP	Inquiry Letter: Contractor Recruitment of Third-Country Nationals for Afghan Work	6/2014
Special Project 14-68-SP	Inquiry Letter: Kandahar Bridging Solution	6/2014
Special Project 14-67-SP	Inquiry Letter: ANP Patrol Boat Disposition	6/2014
Special Project 14-66-SP	Inquiry Letter: CSTC-A Response to ANP Patrol Boat Inquiry	6/2014
Special Project 14-64-SP	Inquiry Letter: Maintenance of USAID-Funded Roads	6/2014
Special Project 14-63-SP	Inquiry Letter: SBIR Study	6/2014
Special Project 14-60-SP	Inquiry Letter: IRD Whistleblower Protections Response	5/2014
Special Project 14-58-SP	Inquiry Letter: Professional Services Council	5/2014
Special Project 14-57-SP	Inquiry Letter: UNDP LOTFA Oversight	5/2014
Special Project 14-54-SP	Inquiry Letter: ANP Patrol Boats	5/2014

OTHER SIGAR WRITTEN PRODUCTS

The Special Inspector General for Afghanistan Reconstruction, John F. Sopko, testified before the Congress once this reporting period.

NEW SIGAR TESTIMONY AS OF JULY 30, 2014

Testimony Identifier	Testimony Title	Testimony Date
SIGAR 14-65-TY	Oversight of USAID and State Department Reconstruction Efforts in Afghanistan	6/10/2014

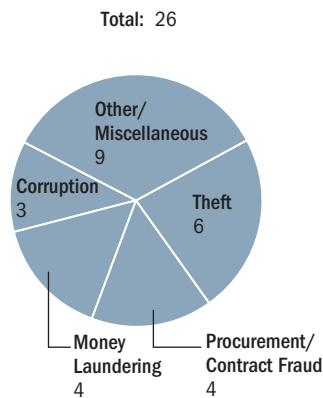
APPENDIX D

SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations

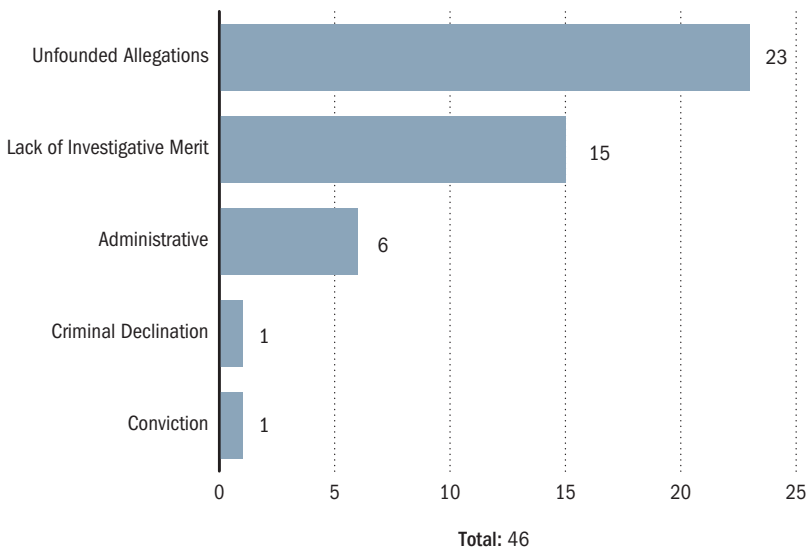
This quarter, SIGAR opened 26 new investigations and closed 46, bringing the total number of open investigations to 318. Of the new investigations, most involved miscellaneous offenses and theft, as shown in Figure D.1. Of the closed investigations, most were closed due to unfounded allegations, as shown in Figure D.2.

FIGURE D.1
NEW SIGAR INVESTIGATIONS,
APRIL 1-JUNE 30, 2014



Source: SIGAR Investigations Directorate, 7/8/2014.

FIGURE D.2
SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, APRIL 1-JUNE 30, 2014



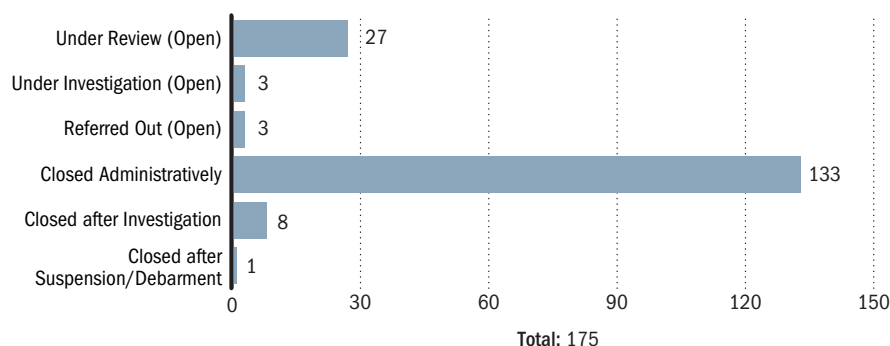
Source: SIGAR Investigations Directorate, 7/8/2014.

SIGAR Hotline

Of the 131 Hotline complaints received this quarter, most were received electronically, as shown in Figure D.3. In addition to working on new complaints, the Investigations Directorate continued its work this quarter on complaints received prior to April 1, 2014. This quarter, the directorate processed 139 complaints, most of which were closed, as shown in Figure D.4.

FIGURE D.4

STATUS OF SIGAR HOTLINE COMPLAINTS: APRIL 1–JUNE 30, 2014

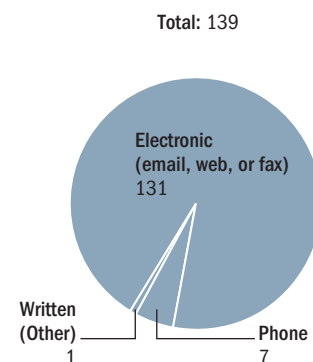


Source: SIGAR Investigations Directorate, 7/8/2014.

Note: 139 complaints received during quarter; total includes complaints made in earlier periods.

FIGURE D.3

SOURCE OF SIGAR HOTLINE COMPLAINTS, APRIL 1–JUNE 30, 2014



Source: SIGAR Investigations Directorate, 7/8/2014.

Suspensions and Debarments From SIGAR Referrals

SIGAR's referrals for suspension and debarment as of June 30, 2014, are shown in chronological order in Table D.1.

TABLE D.1

SUSPENSIONS AND DEBARMENTS AS OF JUNE 30, 2014	
Suspensions	Debarments
Al-Watan Construction Company	Farooqi, Hashmatullah
Basirat Construction Firm	Hamid Lais Construction Company
Brophy, Kenneth	Hamid Lais Group
Naqibullah, Nadeem	Lodin, Rohullah Farooqi
Rahman, Obaidur	Bennett & Fouch Associates LLC
Campbell, Neil Patrick	Brandon, Gary
Borcata, Raul A.	K5 Global
Close, Jarred Lee	Ahmad, Noor
Logistical Operations Worldwide	Noor Ahmad Yousufzai Construction Company
Robinson, Franz Martin	Ayeni, Sheryl Adenike

Continued on the next page

APPENDICES

TABLE D.1 (CONTINUED)

SUSPENSIONS AND DEBARMENTS AS OF JUNE 30, 2014 (CONTINUED)	
Suspensions	Debarments
Taylor, Zachery Dustin	Cannon, Justin
Aaria Group Construction Company	Constantino, April Anne
Aaria Group	Constantino, Dee
Aaria Herai General Trading	Constantino, Ramil Palmes
Aaria M.E. General Trading LLC	Crilly, Braam
Aaria Middle East	Drotleff, Christopher
Aaria Middle East Company LLC	Fil-Tech Engineering and Construction Company
Aaria Middle East Company Ltd. – Herat	Handa, Sidharth
Aaria Supplies Company LTD	Jabak, Imad
Aaria Supply Services and Consultancy	Jamally, Rohullah
Aftech International	Khalid, Mohammad
Aftech International Pvt. Ltd.	Khan, Daro
Alam, Ahmed Farzad	Mariano, April Anne Perez
Albahar Logistics	McCabe, Elton Maurice
American Aaria Company LLC	Mihalczo, John
American Aaria LLC	Qasimi, Mohammed Indress
Barakzai, Nangialai	Radhi, Mohammad Khalid
Formid Supply and Services	Safi, Fazal Ahmed
Greenlight General Trading	Shin Gul Shaheen, a.k.a. "Sheen Gul Shaheen"
Kabul Hackle Logistics Company	Espinoza-Loor, Pedro Alfredo
Sharpway Logistics	Campbell, Neil Patrick*
United States California Logistics Company	Navarro, Wesley
Yousef, Najeebullah	Hazrati, Arash
Rahimi, Mohammad Edris	Midfield International
Wooten, Philip Steven	Moore, Robert G.
Domineck, Lavette Kaye	Noori, Noor Alam, a.k.a. "Noor Alam"
Markwith, James	Northern Reconstruction Organization
All Points International Distributors, Inc.	Shamal Pamir Building and Road Construction Company
Cipolla, James	Wade, Desi D.
Hercules Global Logistics	Blue Planet Logistics Services
Schroeder, Robert	Mahmodi, Padres
AISC LLC	Mahmodi, Shikab
American International Security Corporation	Saber, Mohammed
Brothers, Richard S.	Watson, Brian Erik
David A Young Construction & Renovation Inc.	Abbasi, Shahpoor*
Force Direct Solutions LLC	Amiri, Waheedullah*
Harris, Christopher	Atal, Waheed*
Hernando County Holdings LLC	Daud, Abdulilah*
Hide-A-Wreck LLC	Dehati, Abdul Majid*

Continued on the next page

APPENDICES

TABLE D.1 (CONTINUED)

SUSPENSIONS AND DEBARMENTS AS OF JUNE 30, 2014 (CONTINUED)	
Suspensions	Debarments
Panthers LLC	Fazli, Qais*
Paper Mill Village Inc	Hamdard, Mohammad Yousuf*
Shroud Line LLC	Kunari, Haji Pir Mohammad*
Spada, Carol	Mushfiq, Muhammad Jaffar*
Taylor, Michael	Mutallib, Abdul*
Welventure LLC	Nasrat, Sami*
World Wide Trainers LLC	Passerly, Ahmaad Saleem*
Young, David	Rabi, Fazal*
Espinoza, Mauricio	Rahman, Atta*
Long, Tonya	Rahman, Fazal*
Brophy, Kenneth Michael	Roshandil, Mohammad Ajmal*
Rivera-Medina, Franklin Delano	Safi, Azizur Rahman*
Peace Thru Business	Safi, Matiullah*
Pudenz, Adam Jeff Julias	Sahak, Sher Khan*
Elham, Yaser, a.k.a. "Najibullah Saadullah"	Shaheed, Murad*
Everest Faizy Logistics Services	Shirzad, Daulet Khan*
Faizy Elham Brothers Ltd.	Uddin, Mehrab*
Faizy, Rohullah	Alam, Ahmed Farzad*
Hekmat Shadman General Trading LLC	Greenlight General Trading*
Hekmat Shadman, Ltd., d.b.a. "Hikmat Shadman Ltd."	Aaria Middle East Company LLC*
Hikmat Shadman Construction and Supply Company	Aaria Middle East Company Ltd. - Herat*
Hikmat Shadman Logistics Services Company, d.b.a. "Hikmat Shadman Commerce Construction and Supply Company," d.b.a. "Hikmat Shadman Commerce Construction Services"	Aaria M.E. General Trading LLC*
Saif Hikmat Construction Logistic Services and Supply Co.	Aaria Middle East*
Shadman, Hikmatullah, a.k.a. "Hikmat Shadman," a.k.a. "Haji Hikmatullah Shadman," a.k.a. "Hikmatullah Saadulah"	Barakzai, Nangjalai*
Sherzai, Akbar Ahmed	Formid Supply and Services*
	Aaria Supply Services and Consultancy*
	Kabul Hackle Logistics Company*
	Yousef, Najeebullah*
	Aaria Group*
	Aaria Group Construction Company*
	Aaria Supplies Company LTD*
	Rahimi, Mohammad Edris*
	All Points International Distributors Inc.*
	Hercules Global Logistics*
	Schroeder, Robert*

Continued on the next page

APPENDICES

TABLE D.1 (CONTINUED)

SUSPENSIONS AND DEBARMENTS AS OF JUNE 30, 2014 (CONTINUED)	
Suspensions	Debarments
	Helmand Twinkle Construction Company
	Waziri, Heward Omar
	Zadran, Mohammad
	Afghan Mercury Construction Company, d.b.a. "Afghan Mercury Construction & Logistics Company"
	Mirzali Naseeb Construcion Company
	Montes, Diyana
	Naseeb, Mirzali
	Robinson, Franz Martin*
	Smith, Nancy
	Sultani, Abdul Anas a.k.a. "Abdul Anas"
	Faqiri, Shir
	Hosmat, Haji
	Jim Black Construction Company
	Arya Ariana Aryayee Logistics, d.b.a. "AAA Logistics," d.b.a. "Somo Logistics"
	Garst, Donald
	Mukhtar, Abdul a.k.a. "Abdul Kubar"
	Noori Mahgir Construction Company
	Noori, Sherin Agha
	Long, Tonya*
	Isranuddin, Burhanuddin
	Matun, Navidullah, a.k.a. "Javid Ahmad"
	Matun, Wahidullah
	Navid Basir Construction Company
	Navid Basir JV Gagar Baba Construction Company
	NBCC & GBCC JV
	Noori, Navid
	Asmatullah, Mahmood, a.k.a. "Mahmood"
	Khan, Gul
	Khan, Solomon Sherdad, a.k.a. "Solomon"
	Mursalin, Ikramullah, a.k.a. "Ikramullah"
	Musafer, Naseem, a.k.a. "Naseem"
	Ali, Esrar
	Gul, Ghanzi
	Luqman Engineering Construction Company, d.b.a. "Luqman Engineering"
	Safiullah, a.k.a. "Mr. Safiullah"
	Sarfarez, a.k.a. "Mr. Sarfarez"
	Wazir, Khan
	Akbar, Ali

Continued on the next page

APPENDICES

TABLE D.1 (CONTINUED)

SUSPENSIONS AND DEBARMENTS AS OF JUNE 30, 2014 (CONTINUED)	
Suspensions	Debarments
	Crystal Construction Company, d.b.a. "Semitullah Road Construction Company"
	Semitullah (Individual uses only one name)
	Gurvinder, Singh
	Jahan, Shah
	Shahim, Zakirullah a.k.a. "Zakrullah Shahim", a.k.a. "Zikrullah Shahim"
	Alyas, Maiwand Ansunullah a.k.a. "Alyas Maiwand," a.k.a. "Maiwand Allias," a.k.a. "Maiwand Aliass," a.k.a. "Engineer Maiwand Alyas"
	BMSCC
	Maiwand Haqmal Construction and Supply Company
	New Riders Construction Company, d.b.a. "Riders Construction Company," d.b.a. "New Riders Construction and Services Company"
	Riders Constructions, Services, Logistics and Transportation Company
	Riders Group of Companies
	Domineck, Lavette Kaye*
	Markwith, James*
	Martinez, Rene
	Maroof, Abdul
	Qara, Yousef
	Royal Palace Construction Company
	Bradshaw, Christopher Chase
	Boulware, Candice a.k.a. "Candice Joy Dawkins"
	Dawkins, John
	Mesopotamia Group LLC
	Nordloh, Geoffrey
	Kieffer, Jerry
	Johnson, Angela
	CNH Development Company LLC
	Johnson, Keith
	Military Logistic Support LLC
	Eisner, John
	Taurus Holdings LLC
	Brophy, Kenneth Michael*
	Abdul Haq Foundation
	Adajar, Adonis
	Calhoun, Josh W.
	Clark Logistic Services Company, d.b.a. "Clark Construction Company"

Continued on the next page

APPENDICES

TABLE D.1 (CONTINUED)

SUSPENSIONS AND DEBARMENTS AS OF JUNE 30, 2014 (CONTINUED)	
Suspensions	Debarments
	Farkas, Janos
	Flordeliz, Alex F.
	Knight, Michael T., II
	Lozado, Gary
	Mijares, Armando N., Jr.
	Rainbow Construction Company
	Sardar, Hassan, a.k.a. "Hassan Sardar Inqilab"
	Shah, Mohammad Nader, a.k.a. "Nader Shah"
	Tito, Regor
	Brown, Charles Phillip
	Sheren, Fasela, a.k.a. "Sheren Fasela"
	Anderson, Jesse Montel
	Charboneau, Stephanie, a.k.a. "Stephanie Shankel"*
	Hightower, Jonathan*
	Khan, Noor Zali, a.k.a. "Wali Kahn Noor"
	Saheed, a.k.a. "Mr. Saheed;" a.k.a. "Sahill;" a.k.a. "Ghazi-Rahman"
	Weaver, Christopher*
	Al Kaheel Oasis Services
	Al Kaheel Technical Service
	CLC Construction Company
	CLC Consulting L.L.C.
	Complete Manpower Solutions
	Mohammed, Masiuddin, a.k.a. "Masi Mohammed"
	Rhoden, Bradley L., a.k.a. "Brad L. Rhoden"
	Rhoden, Lorraine Serena
	Royal Super Jet General Trading L.L.C.
	Super Jet Construction Company
	Super Jet Fuel Services
	Super Jet Group
	Super Jet Tours, L.L.C., d.b.a. "Super Jet Travel and Holidays L.L.C."
	Super Solutions L.L.C.
	Abdullah, Bilal
	Farmer, Robert Scott
	Kelly, Albert, III*

Note: *Indicates previously in suspended status following criminal indictment or determination of non-responsibility by agency suspension and debarment official. Final debarment imposed following criminal conviction in U.S. federal district court and/or final determination by agency suspension and debarment official regarding term of debarment.

APPENDIX E

ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
AAA	Afghan American Army Trucking Services
AAF	Afghan Air Force
ABADE	Assistance in Building Afghanistan by Developing Enterprises
ABP	Afghan Border Police
ACAP	Afghan Civilian Assistance Program
ACC-WRN	Army Contracting Command-Warren
ACE	Agricultural Credit Enhancement
ACEP	Afghan Civic Engagement Program
ACU	Anticorruption Unit
AD	Alternative Development
ADB	Asian Development Bank
ADF	Agricultural Development Fund
AERCA	Afghanistan Electoral Reform and Civic Advocacy
AFISCO	Afghan Iron and Steel Consortium
AFN	afghanis (currency—Afghan nationals are Afghans)
AGO	Attorney General's Office
AGS	Afghan Geological Survey
AIB	Afghanistan International Bank
AIF	Afghanistan Infrastructure Fund
AIHRC	Afghanistan Independent Human Rights Commission
AITF	Afghanistan Infrastructure Trust Fund
AKF	Aga Khan Foundation
ALBA	Assistance to Legislative Bodies of Afghanistan
ALP	Afghan Local Police
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ANA	Afghan National Army
ANCOP	Afghan National Civil Order of Police
ANP	Afghan National Police
ANPO	Afghanistan National Participation Organization
ANSF	Afghan National Security Forces
AO	abandoned ordnance
APA	Afghanistan Petroleum Authority
APPF	Afghan Public Protection Force
APRP	Afghan Peace and Reintegration Plan
AROC	Afghanistan Resources Oversight Council
ARTF	Afghanistan Reconstruction Trust Fund
ASA	American Soybean Association
ASAP	Accelerated Sustainable Agriculture Program

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ACRONYM OR ABBREVIATION	DEFINITION
ASFF	Afghanistan Security Forces Fund
ASI	Afghanistan Stabilization Initiative
ASMED	Afghanistan Small- and Medium-Sized Enterprise Development
ATAR	Afghanistan Trade and Revenue Project
ATRA	Afghanistan Telecommunications Regulation Authority
AUAF	American University of Afghanistan
AUP	Afghan Uniform Police
AWOL	Absent without leave
AYNSO	Afghanistan Youth National and Social Organization
BELT	Basic Education, Literacy, and Technical-Vocational Education and Training
BPHS	Basic Package of Health Services
BSA	Bilateral Security Agreement
CBE	Community Based Education
CCC	Community Cultural Centers
CCI	Community Cohesion Initiative
CDC	Community Development Center
CDC	Community Development Council
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CHAMP	Commercial Horticulture and Agricultural Marketing Program
CHW	Community Health Workers
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CJIATF-N	Combined Joint Interagency Task Force-Nexus
CJSOTF-A	Combined Joint Special Operations Task Force-Afghanistan
CM	capability milestone
CMS	case-management system
CNA	Center for Naval Analyses
CNCE	Counter Narcotics Community Engagement
CNG	compressed natural-gas
CNJC	Counternarcotics Justice Center
CNPA	Counternarcotics Police of Afghanistan
COM	Council of Ministers
COR	contracting officer's representative
CSSP	Corrections System Support Program
CSTC-A	Combined Security Transition Command-Afghanistan
CTA	Central Transfer Account
DA	Development Assistance
DAB	Da Afghanistan Bank
DABS	Da Afghanistan Breshna Sherkat
DAI	Development Alternatives Inc.
DCIS	Defense Criminal Investigative Service (U.S.)
DCOM MAG	Deputy Commander MTN-A, Military Assistance Group

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ACRONYM OR ABBREVIATION	DEFINITION
DEA	Drug Enforcement Administration (U.S.)
DFAS	Defense Finance and Accounting Services
DFID	Department for International Development (UK)
DI	Democracy International
DOD	Department of Defense (U.S.)
DOD CN	Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)
DOD OIG	Department of Defense Office of Inspector General
DODI	Department of Defense Instruction
DOJ	Department of Justice (U.S.)
DOT	Department of Transportation (U.S.)
DQA	data quality assessment
DSC	District Stability Committee
DSCA	Defense Security Cooperation Agency
ECC	Electoral Complaints Commission
ECF	Extended Credit Facility
ELECT	Enhancing Legal and Electoral Capacity for Tomorrow
EMIS	Ministry of Education's Information Management System (Afghan)
EPHS	Essential Package of Hospital Services
EQUALS	Engineering, Quality Assurance and Logistical Support
ERW	Explosive Remnants of War
ESF	Economic Support Fund
EU EAT	European Union Election Assessment Team Afghanistan
FAA	Federal Aviation Administration
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation (U.S.)
FEFA	Free and Fair Election Forum of Afghanistan
FOB	forward operating base
FRIC	Force Reintegration Cell (ISAF)
FY	fiscal year
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office (U.S.)
GCMU	Grants and Contracts Management Unit (MOPH)
GDP	gross domestic product
GDPDC	General Directorate of Prisons and Detention Centers
GIROA	Government of the Islamic Republic of Afghanistan
GLE	Governor-Led Eradication
GOR	Grant Officer Representative
GPI	Good Performer's Initiative
GSO	General Services Office (Afghan)
HEFD	Health Economics and Financing Directorate (MOPH)
HMIS	Health Management Information System
HNT	Host Nation Trucking

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ACRONYM OR ABBREVIATION	DEFINITION
HOO	High Office of Oversight for Anti-Corruption (aka "HOOAC") (Afghan)
HPC	High Peace Council
HPP	Health Policy Project
IBC	International Building Code
ICRC	International Committee of the Red Cross
IDEA-NEW	Incentives Driving Economic Alternatives-North, East, and West
IDP	internally displaced person
IEC	Independent Election Commission (Afghan)
IED	improvised explosive device
JC	International Security Assistance Force Joint Command
IMF	International Monetary Fund
IMP	International Military Police
INCLE	International Narcotics Control and Law Enforcement (U.S.)
INL	Bureau of International Narcotics and Law Enforcement Affairs (U.S.)
IOCC	Interagency Operations Coordination Center
IPA	Independent Public Accountant
IPACS	Initiative to Promote Afghan Civil Society
IRD	International Relief and Development (an NGO)
ISAF	International Security Assistance Force
ISR	intelligence, surveillance, and reconnaissance
JCIP	Justice Center in Parwan
JCMB	Joint Coordination and Monitoring Board
JRD	Juvenile Rehabilitation Directorate
JSSP	Justice Sector Support Program (State)
JTTP	Justice Training Transition Program (State)
KAF	Kandahar Airfield
KFZ	Kandahar Food Zone
KHPP	Kandahar-Helmand Power Project
KIA	killed in action
LBG/BV	Louis Berger Group/Black and Veatch
LES	locally employed staff
LMG	Leadership, Management, Governance Project
LOGCAP	Logistics Civil Augmentation Program
LOTFA	Law and Order Trust Fund for Afghanistan
MAIL	Ministry of Agriculture, Irrigation, and Livestock (Afghan)
MC	Media Commission
MCN	Ministry of Counternarcotics (Afghan)
MCTF	Major Crimes Task Force
MEC	Monitoring and Evaluation Committee (Afghan)
MIDAS	Mining Investment and Development for Afghan Sustainability
MISTI	Measuring Impacts of Stabilization Initiatives
MOCI	Ministry of Commerce and Industry (Afghan)

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ACRONYM OR ABBREVIATION	DEFINITION
MOCIT	Ministry of Communications and Information Technology (Afghan)
MOD	Ministry of Defense (Afghan)
MOE	Minister of Education (Afghan)
MOF	Ministry of Finance (Afghan)
MOI	Ministry of Interior (Afghan)
MOMP	Ministry of Mines and Petroleum (Afghan)
MOPH	Ministry of Public Health (Afghan)
MOPW	Ministry of Public Works (Afghan)
MORE	Ministry of Women's Affairs Organizational Restructuring and Empowerment Project (Afghan)
MRAP	Mine-Resistant Ambush-Protected
MRRD	Ministry of Rural Rehabilitation and Development
MSF	Mobile Strike Force
MSFV	Mobile Strike Force Vehicles
NAC-A	NATO Air Command-Afghanistan
NATO	North Atlantic Treaty Organization
NCO	noncommissioned officer
NDAA	National Defense Authorization Act
NDI	National Democratic Institute
NEPS	Northeast Power System
NGO	nongovernmental organization
NIU	National Interdiction Unit
NLO	New Line Organization
NSOCC-A	NATO Special Operations Component Command-Afghanistan
NSP	National Solidarity Program
NTM-A	NATO Training Mission-Afghanistan
O&M	operations and maintenance
OCO	overseas contingency operations
OEF	Operation Enduring Freedom
OHG	Omran Holding Group
OIG	Office of the Inspector General
OMA	Operations Maintenance, Army
OMB	Office of Management and Budget
OPPD	Office of Program and Project Development (USAID)
OSCE	Organization for Security and Co-operation in Europe
OVERLORD	Operational Verification of Reliable Logistics Oversight Database
PCH	Partnership Contracts for Health Services
PEC	Peaceful Election Campaign
PM/WRA	Bureau of Political-Military Affairs-Office of Weapons Removal and Abatement (U.S.)
PPA	Public-Private Alliances
PRT	Provincial Reconstruction Team
PSC	private security contractor
PSC	Professional Services Council

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ACRONYM OR ABBREVIATION	DEFINITION
PTEC	Power Transmission Expansion and Connectivity
QNCC	Qesmatullah Nasrat Construction Company
RADP	Regional Agriculture Development Program
RASR	Regional Command ANSF Assessment Report
RC	recurrent cost
RCC	Regional Contracting Center
RC-SW	Regional Command Southwest (ISAF)
RDL	Rating Definition Level
RLS-F	Rule of Law Stabilization-Formal
RLS-I	Rule of Law Stabilization-Informal
RSS	Road Sector Sustainability
SAARC	South Asian Association for Regional Cooperation
SAO	Security Assistance Office
SAO	Supreme Audit Office
SARAI	Soybeans for Agricultural Renewal in Afghanistan Initiative
SBIR	Small Business Innovations Research
SCIP	Security Cooperation Information Portal
SDDC	Surface Deployment and Distribution Command
SEPS	Southeast Power System
SGDP	Sheberghan Gas Development Program
SGGA	Sheberghan Gas Generation Activity
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIKA	Stability in Key Areas
SIU	Sensitive Investigative Unit
SMW	Special Mission Wing (Afghan)
SOF	Special Operations Forces
SPECS	Supporting Political Entities and Civil Society Program
State OIG	Department of State Office of the Inspector General
SWSS	Sustainable Water Supply and Sanitation
SY	solar year
TAFSA	Trade Accession and Facilitation for Afghanistan
TCN	third-country national
TEFA	Transparent Election Foundation of Afghanistan
TFBSO	Task Force for Business and Stability Operations in Afghanistan
TMAF	Tokyo Mutual Accountability Framework
Tt DPK	Tetra Tech DPK
TVPA	Trafficking Victims Protection Act
UN	United Nations
UNAMA	United Nations Assistance Mission in Afghanistan
UNDP	United Nations Development Programme
UNHCR	UN High Commission for Refugees
UNODC	UN Office on Drugs and Crime

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ACRONYM OR ABBREVIATION	DEFINITION
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	USAID Office of the Inspector General
USDA	U.S. Department of Agriculture
USFOR-A	U.S. Forces-Afghanistan
USIP	U.S. Institute for Peace
USWFD	Afghanistan University Support and Workforce Development Program
UXO	unexploded ordnance
VAT	value-added tax
VSO	Village Stability Operations
WIA	wounded in action
WPS	Worldwide Protection Services
WTO	World Trade Organization

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A landfill containing furniture and other materials from the facilities at Camp Leatherneck, Helmand Province, that are not being returned to the USA or transferred to the government of Afghanistan. (SIGAR photo by Greg Bauer)

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